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# Draft Legislation and Regulations Relating to the GST and HST

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Published by  
The Honourable Paul Martin, P.C., M.P.  
Minister of Finance

November 1997

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**Price: \$10**

Available from the Finance Canada Distribution Centre  
300 Laurier Avenue West, Ottawa K1A 0G5

Tel: (613) 995-2855

Fax: (613) 996-0518

Cette publication est également disponible en français.

Cat No.: F2-116/1997Erev

ISBN-0-660-17254-2



AZ0-8854

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## Draft Amendments to the Excise Tax Act and a Related Act





## PART I

## EXCISE TAX ACT

1. (1) The portion of the definition "direct cost" in subsection 123(1) of the *Excise Tax Act* after paragraph (b) is replaced by the following:

and, for the purposes of this definition, the consideration paid or payable by a supplier for property or a service is deemed to include

(c) tax under this Part payable by the supplier in respect of the acquisition or importation of the property or service by the supplier,

(d) where the property was brought into a participating province from a non-participating province, any tax under this Part payable by the supplier in respect of the bringing in of the property into the participating province, and

(e) any tax, duty or fee payable in respect of the acquisition or importation of the property or service by the supplier and prescribed for the purposes of section 154 excluding the portion of the tax (other than tax that became payable under the first paragraph of section 16 of *An Act respecting the Québec sales tax*, R.S.Q., c. T-0.1, by the supplier at a time when the supplier was a registrant within the meaning assigned by section 1 of that Act), duty or fee that is recovered or recoverable by the supplier;

(2) Subsection (1) applies to supplies for which consideration becomes due after 1996 or is paid after 1996 without having become due, except that

(a) paragraph (d) of the definition "direct cost" in subsection 123(1) of the Act, as amended by subsection (1), applies only with respect to supplies for which consideration becomes due after March 1997 or is paid after March 1997 without having become due; and

(b) with respect to any supply made on or before ANNOUNCEMENT DATE, other than a supply in respect of which the supplier charges the recipient an amount as tax under Part IX of the Act,

(i) where all of the consideration for the supply became due or was paid before April 1997, paragraph (e) of that definition shall be read as follows:

(e) any tax, duty or fee payable in respect of the acquisition or importation of the property or service by the supplier and prescribed for the purposes of section 154, excluding the portion of the tax, duty or fee that is recovered or recoverable by the supplier;

and

(ii) where any consideration for the supply becomes due after March 1997 or is paid after March 1997 without having become due, that paragraph shall be read as follows:

(e) any tax, duty or fee payable in respect of the acquisition or importation of the property or service by the supplier and prescribed for the purposes of section 154;

## 2. (1) Section 154 of the Act is replaced by the following:

### Definition

#### "provincial levy"

154. (1) In this section, "provincial levy" means a tax, duty or fee imposed under an Act of the legislature of a province in respect of the supply, consumption or use of property or a service.

### Levies included in consideration

(2) For the purposes of this Part, the consideration for a supply of property or a service includes

(a) any tax, duty or fee imposed under an Act of Parliament that is payable by the recipient, or payable or collectible by the supplier, in respect of that supply or in respect of the production, importation, consumption or use of the property or service, other than tax under this Part that is payable by the recipient;

(b) any provincial levy that is payable by the recipient, or payable or collectible by the supplier, in respect of that supply or in respect of the consumption or use of the property or service, other than a prescribed provincial levy that is payable by the recipient; and

(c) any other amount that is collectible by the supplier under an Act of the legislature of a province and that is equal to, or is collectible

on account of or in lieu of, a provincial levy, except where the amount is payable by the recipient and the provincial levy is a prescribed provincial levy.

**(2) Subsection (1) applies for the purpose of determining the consideration for supplies made after ANNOUNCEMENT DATE.**

**3. (1) Paragraph 169(3)(a) of the Act is replaced by the following:**

(a) the input tax credit is in respect of

(i) tax that the person is deemed to have paid under subsection 171(1), 171.1(2), 206(2) or (3) or 208(2) or (3), or

(ii) an amount of tax that is prescribed for the purposes of paragraph (a) of the description of F in subsection 225.2(2); or

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**4. (1) Subsection 181(4) of the Act is replaced by the following:**

#### **Acceptance of other coupons**

(4) For the purposes of this Part, where a registrant accepts, in full or partial consideration for a supply of property or a service, a coupon that may be exchanged for the property or service or that entitles the recipient of the supply to a reduction of, or a discount on, the price of the property or service and paragraphs (2)(a) to (c) do not apply in respect of the coupon, the value of the consideration for the supply is deemed to be the amount, if any, by which the value of the consideration for the supply as otherwise determined for the purposes of this Part exceeds the discount or exchange value of the coupon.

**(2) Paragraph 181(5)(c) of the Act is replaced by the following:**

(c) where the supply is not a zero-rated supply and the coupon entitled the recipient to a reduction of the price of the property or service equal to a fixed dollar amount specified in the coupon (in this paragraph referred to as the "coupon value"), the particular person, if a registrant (other than a registrant who is a prescribed registrant for the purposes of subsection 188(5)) at that time, may claim an input tax credit for the reporting period of the particular person that includes that time equal to the tax fraction of the coupon value, unless all or part of that coupon value is an amount of an adjustment, refund or credit to which subsection 232(3) applies.



(3) Subsections (1) and (2) are deemed to have come into force on April 1, 1997 except that subsection (2) does not apply to a coupon where the person who pays an amount to redeem the coupon has claimed an input tax credit in respect of that amount in a return under Division V of Part IX of the Act that is received by the Minister of National Revenue before ANNOUNCEMENT DATE and, for this purpose, subsection 334(1) of the Act does not apply.

5. (1) Clauses 183(6)(a)(ii)(A) and (B) of the Act are replaced by the following:

(A) that supply is a zero-rated supply, or

(B) in the case of property that was, at the time it was seized or repossessed, specified tangible personal property having a fair market value in excess of the prescribed amount in respect of the property, tax would not have been payable had the property been purchased in Canada from the person at that time,

(2) Clause (A) of the description of A in subparagraph 183(6)(a)(ii) of the Act is replaced by the following:

(A) where

(I) the property is situated in a participating province at the particular time, it was seized or repossessed before the day that is three years after the implementation date for that province (within the meaning assigned by section 348) and tax would not have been payable had the property been purchased in Canada from the person at the time it was seized or repossessed, or

(II) the property is situated in a non-participating province at the particular time,

7%, and

(3) Paragraph 183(7)(c) of the Act is replaced by the following:

(c) to have received a supply by way of sale of the property immediately before that time for consideration equal to the consideration for the particular supply, and

(4) The portion of paragraph 183(7)(d) of the Act before subparagraph (ii) of the description of A is replaced by the following:

(d) except where the supply deemed under paragraph (c) to have been received is a zero-rated supply, to have paid, immediately before that time, all tax payable in respect of the supply deemed to have been received, which is deemed to be equal to the amount determined by the formula

$$A - B$$

where

A is

(i) where

(A) the property was seized or repossessed in a participating province by the creditor before the day that is three years after the implementation date for that province (within the meaning assigned by section 348) and the particular supply is either made outside Canada or is a zero-rated supply, or

(B) either the property was seized or repossessed in a non-participating province or the particular supply is a supply (other than a zero-rated supply) made in a non-participating province,

tax under subsection 165(1) calculated on that consideration, and

(5) The portion of subsection 183(8) of the Act before paragraph (a) is replaced by the following:

**Lease of personal property**

(8) For the purposes of this Part, where at a particular time a creditor who has seized or repossessed personal property from a person in circumstances in which subsection (1) applies makes a particular taxable supply of the property by way of lease, licence or similar arrangement for the first lease interval (within the meaning of subsection 136.1(1)) in respect of the arrangement, the creditor was not deemed under subsection (5) or (6) to have received a supply of the property at an earlier time and no tax would have been payable had the property been



purchased in Canada from the person at the time it was seized or repossessed, except where

**(6) Paragraph 183(8)(c) of the Act is replaced by the following:**

(c) to have received a supply by way of sale of the property immediately before the particular time, and

**(7) The portion of paragraph 183(8)(d) of the Act before subparagraph (ii) is replaced by the following:**

(d) except where that supply is a zero-rated supply, to have paid, immediately before the particular time, all tax payable in respect of that supply, which is deemed to be equal to

(i) where

(A) the property was seized or repossessed in a participating province by the creditor before the day that is three years after the implementation date for that province (within the meaning assigned by section 348) and the particular supply is either made outside Canada or is a zero-rated supply, or

(B) either the property was seized or repossessed in a non-participating province or the particular supply is a supply (other than a zero-rated supply) made in a non-participating province,

tax under subsection 165(1) calculated on the fair market value of the property at the time it was seized or repossessed, and

**(8) Subsections (1) to (4) and (6) and (7) are deemed to have come into force on April 1, 1997.**

**(9) Subsection (5) applies to lease intervals (within the meaning of subsection 136.1(1) of the Act) that begin after March 1997.**

**6. (1) Clauses 184(5)(a)(ii)(A) and (B) of the Act are replaced by the following:**

(A) that supply is a zero-rated supply, or

(B) in the case of property that was, at the time it was transferred, specified tangible personal property having a fair market value in excess of the prescribed amount in respect of the property, tax would not have been payable had the property been purchased in Canada from the person at that time,

**(2) Clause (A) of the description of A in subparagraph 184(5)(a)(ii) of the Act is replaced by the following:**

(A) where

(I) the property is situated in a participating province at the particular time, ~~it was transferred before the day that~~ is three years after the implementation date for that province (within the meaning assigned by section 348) and tax would not have been payable had the property been purchased in Canada from the person at the time it was transferred, or

(II) the property is situated in a non-participating province at the particular time,

7%, and

**(3) Paragraph 184(6)(c) of the Act is replaced by the following:**

(c) to have received a supply by way of sale of the property immediately before that time for consideration equal to the consideration for the particular supply, and

**(4) The portion of paragraph 184(6)(d) of the Act before subparagraph (ii) of the description of A is replaced by the following:**

(d) except where the supply deemed under paragraph (c) to have been received is a zero-rated supply, to have paid, immediately before that time, all tax payable in respect of the supply deemed to have been received, which is deemed to be equal to the amount determined by the formula

$$A - B$$

where

A is

(i) where

(A) the property was last held by the person in a participating province before being transferred to the insurer, the property was so transferred before the day that is three years after the implementation date for that province (within the meaning assigned by section 348) and

the particular supply is either made outside Canada or is a zero-rated supply, or

(B) either the property was last held by the person in a non-participating province before being transferred or the particular supply is a supply (other than a zero-rated supply) made in a non-participating province,

tax under subsection 165(1) calculated on that consideration, and

**(5) The portion of subsection 184(7) of the Act before paragraph (a) is replaced by the following:**

**Lease of personal property**

(7) For the purposes of this Part, where at a particular time an insurer to whom personal property has been transferred from a person in circumstances in which subsection (1) applies makes a particular taxable supply of the property by way of lease, licence or similar arrangement for the first lease interval (within the meaning of subsection 136.1(1)) in respect of the arrangement, the insurer was not deemed under subsection (4) or (5) to have received a supply of the property at an earlier time and no tax would have been payable had the property been purchased in Canada from the person at the time the property was transferred, except where

**(6) Paragraph 184(7)(c) of the Act is replaced by the following:**

(c) to have received a supply by way of sale of the property immediately before the particular time, and

**(7) The portion of paragraph 184(7)(d) of the Act before subparagraph (ii) is replaced by the following:**

(d) except where that supply is a zero-rated supply, to have paid, immediately before the particular time, all tax payable in respect of that supply, which is deemed to be equal to

(i) where

(A) the property was last held by the person in a participating province before being transferred to the insurer, the property was so transferred before the day that is three years after the implementation date for that province (within the meaning assigned by section 348) and the particular supply is either made outside Canada or is a zero-rated supply, or

(B) either the property was last held by the person in a non-participating province before being transferred or the particular supply is a supply (other than a zero-rated supply) made in a non-participating province,

tax under subsection 165(1) calculated on the fair market value of the property at the time it was transferred, and

**(8) Subsections (1) to (4) and (6) and (7) are deemed to have come into force on April 1, 1997.**

**(9) Subsection (5) applies to lease intervals (within the meaning of subsection 136.1(1) of the Act) that begin after March 1997.**

**7. (1) The portion of subsection 186(2) of the Act before paragraph (c) is replaced by the following:**

**Takeover fees**

(2) For the purposes of this Part, where

(a) a registrant that is a corporation resident in Canada (in this subsection referred to as the "purchaser") acquires, imports or brings into a participating province a particular property or service relating to the acquisition or proposed acquisition by it of all or substantially all of the issued and outstanding shares of the capital stock of another corporation having full voting rights under all circumstances, and

(b) throughout the period beginning when the performance of the particular service began or when the purchaser acquired, imported or brought into the participating province, as the case may be, the particular property and ending at the later of the times referred to in paragraph (c), all or substantially all of the property of the other corporation was property that was acquired or imported for consumption, use or supply exclusively in the course of commercial activities,

the particular property or service is deemed to have been acquired, imported or brought into the participating province for use exclusively in the course of commercial activities of the purchaser and, for the purpose of claiming an input tax credit, any tax in respect of the supply of the particular property or service to the purchaser, or the importation or bringing in of the particular property by the purchaser, is deemed to have become payable and been paid by the purchaser on the later of

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**



**8. (1) Subparagraph 191(3)(b)(i) of the Act is replaced by the following:**

(i) gives possession of any residential unit in the complex, under a lease, licence or similar arrangement entered into for the purpose of its occupancy by an individual as a place of residence, to a particular person who is not a purchaser under an agreement of purchase and sale of the complex,

(i.1) gives possession of any residential unit in the complex to a particular person under an agreement for

(A) the supply by way of sale of the building or part thereof forming part of the complex, and

(B) the supply by way of lease of the land forming part of the complex or the supply of such a lease by way of assignment, or

**(2) Subparagraph 191(4)(b)(i) of the Act is replaced by the following:**

(i) gives possession of any residential unit in the addition, under a lease, licence or similar arrangement entered into for the purpose of its occupancy by an individual as a place of residence, to a particular person who is not a purchaser under an agreement of purchase and sale of the complex,

(i.1) gives possession of any residential unit in the addition to a particular person under an agreement for

(A) the supply by way of sale of the building or part thereof forming part of the complex, and

(B) the supply by way of lease of the land forming part of the complex or the supply of such a lease by way of assignment, or

**(3) Subsections (1) and (2) are deemed to have come into force on ANNOUNCEMENT DATE and apply in any case where a builder of a residential complex or of an addition to a residential complex gives possession of a residential unit in the complex or addition, as the case may be, on or after that day, except where such possession is given under an agreement in writing entered into before that day for the supply by way of sale of the building or part thereof forming part of the residential complex.**

**9. (1) Subsection 223(1) of the Act is replaced by the following:**



## Disclosure of tax

**223.** (1) Where a registrant makes a taxable supply, other than a zero-rated supply, the registrant shall indicate to the recipient, either in prescribed manner or in the invoice or receipt issued to, or in an agreement in writing entered into with, the recipient in respect of the supply,

(a) the consideration paid or payable by the recipient for the supply and the tax payable in respect of the supply in a manner that clearly indicates the amount of the tax; or

(b) that the amount paid or payable by the recipient for the supply includes the tax payable in respect of the supply.

## Indication of total

(1.1) Where a registrant makes a taxable supply, other than a zero-rated supply, and, in an invoice or receipt in respect of the supply issued to the recipient or in an agreement in writing in respect of the supply, the registrant indicates the tax payable or the rate or rates at which tax is payable in respect of the supply, the registrant shall indicate in that invoice, receipt or agreement either

(a) the total tax payable in respect of the supply in a manner that clearly indicates the amount of that total; or

(b) the total of the rates at which tax is payable in respect of the supply.

## Exception

(1.2) Where a registrant makes a taxable supply in a participating province and is entitled under subsection 234(3) to deduct an amount in respect of the supply in determining the net tax of the registrant, the registrant is not required to include under subsection (1) or (1.1) tax under subsection 165(2) in the total tax payable or the total of the rates of tax payable, in respect of the supply.

(2) Subsection (1) is deemed to have come into force on April 7, 1997.

**10.** (1) Subsection 225.1(1) of the Act is amended by striking out the word "and" at the end of paragraph (b), by adding the word "and" at the end of paragraph (c) and by adding the following after paragraph (c):

(d) a supply deemed under subsection 177(1) or (1.2) to have been made by an agent.

**(2) Subparagraph (b)(iii) of the description of A in subsection 225.1(2) of the Act is replaced by the following:**

(iii) supplies made on behalf of another person for whom the charity acts as agent and

(A) that are deemed under subsection 177(1) or (1.2) to have been made by the charity and not by the other person, or

(B) in respect of which the charity has made an election under subsection 177(1.1),

**(3) Paragraph (a) of the description of B in subsection 225.1(2) of the Act is amended by striking out the word "and" at the end of subparagraph (ii) and by adding the following after subparagraph (iii):**

(iv) tangible personal property (other than property referred to in subparagraph (ii) or (iii)) acquired, imported or brought into a participating province by the charity for the purpose of supply by way of sale and deemed by subsection 177(1.2) to have been supplied by an auctioneer acting as agent for the charity, and

(v) tangible personal property (other than property referred to in subparagraph (ii) or (iii)) deemed under paragraph 180(e) to have been acquired by the charity and under subsection 177(1) or (1.2) to have been supplied by the charity

**(4) Subsections (1) and (2) apply for the purpose of determining net tax for reporting periods ending after ANNOUNCEMENT DATE.**

**(5) Subsection (3) applies, for the purpose of determining net tax for reporting periods beginning after 1996, to any property deemed under subsection 177(1) or (1.2) of the Act, as enacted by chapter 10 of the Statutes of Canada, 1997, to have been supplied by an agent.**

**11. (1) Paragraph (b) of the description of A in subsection 225.2(2) of the Act is replaced by the following:**

(b) all amounts each of which is tax under subsection 165(1) in respect of a supply (other than a supply to which paragraph (c) applies) made by a person other than a selected listed financial institution to the financial institution that would, but for an election

made under section 150, have become payable by the financial institution during the particular reporting period, and

**(2) Paragraph (b) of the description of B in subsection 225.2(2) of the Act is replaced by the following:**

(b) all amounts each of which would be an input tax credit of the financial institution for the particular reporting period of the financial institution in respect of property or a service if tax became payable during the particular reporting period in respect of the supply of the property or service equal to the amount included for the particular reporting period under paragraph (b) or (c) of the description of A in respect of the supply;

**(3) Subsections (1) and (2) are deemed to have come into force on April 1, 1997.**

**12. (1) The Act is amended by adding the following after section 232:**

**Promotional  
allowances**

**232.1** For the purposes of this Part, where

(a) a particular registrant acquires particular tangible personal property exclusively for supply by way of sale for a price in money in the course of commercial activities of the particular registrant, and

(b) another registrant, who has made taxable supplies of the particular property by way of sale, whether to the particular registrant or another person,

(i) pays to, or credits in favour of, the particular registrant, or

(ii) allows as a discount on or credit against the price of any property or service (in this section referred to as the "discounted property or service") supplied by the other registrant to the particular registrant,

an amount in return for the promotion of the particular property by the particular registrant,

the following rules apply:

(c) the amount is deemed not to be consideration for a supply by the particular registrant to the other registrant,

(d) where the amount is allowed as a discount on or credit against the price of the discounted property or service,

(i) if the other registrant has previously charged to, or collected from, the particular registrant tax under Division II calculated on the consideration or part thereof for the supply of the discounted property or service, the amount of the credit is deemed to be a reduction in the consideration for that supply for the purposes of subsection 232(2), and

(ii) in any other case, the value of the consideration for the supply of the discounted property or service is deemed to be the amount, if any, by which the value of the consideration as otherwise determined for the purposes of this Part exceeds the amount of the discount or credit, and

(e) where the amount is not allowed as discount on or credit against the price of any discounted property or service supplied to the particular registrant, the amount is deemed to be a rebate in respect of the particular property for the purposes of section 181.1.

**(2) Subsection (1) applies to amounts paid or credited in favour of a registrant, or allowed as a discount on or credit against the price of any property or service, after March 1997 in return for the promotion of property.**

**13. (1) The portion of subsection 233(2) of the French version of the Act before paragraph (a) is replaced by the following:**

#### **Ristourne**

(2) Pour l'application de la présente partie, la personne qui, au cours de son exercice, verse à une autre personne une ristourne relative, en tout ou partie, à des fournitures taxables, sauf des fournitures détaxées, qu'elle a effectuées au profit de l'autre personne est réputée :

**(2) The portion of subsection 233(2) of the Act, as amended by subsection (1), before paragraph (b) is replaced by the following:**

#### **Patronage dividends**

(2) For the purposes of this Part, where, at any time in a fiscal year of a particular person, the particular person pays to another person a patronage dividend all or part of which is in respect of supplies (in this subsection referred to as "specified supplies") that are taxable supplies (other than zero-rated supplies) made by the particular person to the other person, the particular person is deemed



(a) to have reduced, at that time,

(i) the total consideration for all supplies (in this subparagraph referred to as the "participating province's supplies") that are specified supplies made in a participating province and to which subsection 165(2) applied by the amount determined by the formula

$$(100\%/A) \times B$$

where

A is the total of 107% and the tax rate for that province, and

B is

(A) where the particular person has made an election under this subsection that is in effect for that fiscal year, the part of the dividend that is in respect of the participating province's supplies, and

(B) in any other case, the amount determined by the formula

$$(C/D) \times E$$

where

C is the portion of the total of the values determined, in computing the specified amount in respect of the dividend, for B and D in subsection (1) that is attributable to supplies made in that province,

D is the total referred to in the description of C, and

E is the specified amount in respect of the dividend, and

(ii) the total consideration for all supplies (in this subparagraph referred to as the "non-participating provinces' supplies") that are specified supplies to which subsection 165(2) did not apply by the amount determined by the formula

$$(100/107) \times A$$

where

A is



(A) where the particular person has made an election under this subsection that is in effect for that fiscal year, the part of the dividend that is in respect of the non-participating provinces' supplies, and

(B) in any other case, the amount determined by the formula

$$(B/C) \times D$$

where

B is the portion of the total of the values determined, in computing the specified amount in respect of the dividend, for B and D in subsection (1) that is attributable to supplies made in non-participating provinces,

C is the total referred to in the description of B, and

D is the specified amount in respect of the dividend; and

**(3) Subsections 233(4) and (5) of the Act are replaced by the following:**

#### **Time for election**

(4) An election made under subsection (2) or (3) by a person shall be made before any patronage dividend is paid by the person in the fiscal year of the person in which the election is to take effect.

#### **Revocation of election**

(5) An election made under subsection (2) or (3) by a person may be revoked by the person before any patronage dividend is paid by the person in the fiscal year of the person in which the revocation is to take effect.

**(4) Subsection (1) is deemed to have come into force on December 17, 1990.**

**(5) Subsection (2) applies to patronage dividends declared after ANNOUNCEMENT DATE.**

**(6) Subsection (3) is deemed to have come into force on ANNOUNCEMENT DATE.**

**14. (1) Subsection 234(1) of the Act is replaced by the following:**

**Deduction for rebate**

**234.** (1) Where, in the circumstances described in subsection 252.41(2), 254(4) or 254.1(4), a particular person pays to, or credits in favour of, another person an amount on account of a rebate and transmits the application of the other person for the rebate to the Minister in accordance with subsection 252.41(2), 254(5) or 254.1(5), as the case requires, the particular person may deduct the amount in determining the net tax of the particular person for the reporting period in which the amount is paid or credited.

**(2) Subsection (1) applies after April 23, 1996.**

**15. (1) The portion of subsection 235(1) of the French version of the Act before the formula is replaced by the following:**

**Taxe nette en cas de  
location de voiture  
de tourisme**

**235.** (1) Lorsque la taxe relative à la fourniture d'une voiture de tourisme par bail devient payable par un inscrit, ou est payée par lui sans qu'elle soit devenue payable, au cours de son année d'imposition, et que le total de la contrepartie de la fourniture qui serait déductible dans le calcul du revenu de l'inscrit pour l'année pour l'application de la *Loi de l'impôt sur le revenu*, abstraction faite de l'article 67.3 de cette loi, s'il était un contribuable aux termes de cette loi, excède le montant, relatif à cette contrepartie, qui est déductible dans le calcul du revenu de l'inscrit pour l'année aux fins de cette même loi, ou qui le serait si l'inscrit était un contribuable aux termes de cette loi, le résultat du calcul suivant est ajouté dans le calcul de la taxe nette de l'inscrit pour la période de déclaration indiquée :

**(2) The description of B in the formula in subsection 235(1) of the Act is replaced by the following:**

**B is**

(a) where the registrant is a selected listed financial institution in the appropriate reporting period, the tax paid or payable under any of subsection 165(1) and sections 212 and 218 in respect of that consideration (other than tax that, by reason of section 170, may not be included in determining an input tax credit of the registrant), and

(b) in any other case, the tax paid or payable in respect of that consideration (other than tax that, by reason of section 170, may not be included in determining an input tax credit of the registrant), and

**(3) Subsection (1) is deemed to have come into force on December 17, 1990.**

**(4) Subsection (2) is deemed to have come into force on April 1, 1997.**

**16. (1) Paragraph 252.4(1)(c) of the Act is replaced by the following:**

(c) property that is imported or brought into a participating province by the sponsor, or an imported taxable supply (within the meaning assigned by section 217) of property or services that are acquired by the sponsor, for consumption, use or supply by the sponsor as related convention supplies,

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**17. (1) Paragraph 253(1)(a) of the English version of the Act is replaced by the following:**

(a) a musical instrument, motor vehicle, aircraft or any other property or a service is or would, but for subsection 272.1(1), be regarded as having been acquired, imported or brought into a participating province by an individual who is

(i) a member of a partnership that is a registrant, or

(ii) an employee of a registrant (other than a listed financial institution),

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**18. (1) Section 259 of the Act is amended by adding the following after subsection (4):**

**Restriction**

(4.01) An amount shall not be included in determining the value of B in subsection (4) in respect of a claim period of a person to the extent that the amount is included in determining an input tax credit of the person or it can reasonably be regarded that the person has obtained or

is entitled to obtain a rebate, refund or remission of the amount under any other section of this Act or under any other Act of Parliament.

**(2) The portion of paragraph 259(4.1)(d) of the Act before subparagraph (i) is replaced by the following:**

(d) the total of all amounts, each of which is an amount that would be determined by the formula in subsection (4) in respect of the property or service for the claim period if that subsection applied to the person and if

**(3) Subsection 259(4.2) of the Act is replaced by the following.**

**Rebates in respect  
of tax in  
participating  
provinces**

(4.2) In determining a rebate under this section payable to a person, no tax under any of subsection 165(2), sections 212.1 and 218.1 and Division IV.1 payable or deemed to have been paid or collected by the person shall be included

(a) in any amount referred to in any of subparagraphs (a)(i) to (iv) of the definition "non-creditable tax charged" in subsection (1);

(b) in any amount referred to in subparagraph (v) of that definition that is required under subsection 129(7) to be added in determining the person's net tax; or

(c) in determining any amount referred to in subparagraph (v) of that definition that is an input tax credit required under paragraph 171(4)(b) to be added in determining the person's net tax.

**(4) Section 259 of the Act is amended by adding the following after subsection (4.2):**

**Exception**

(4.21) Subsection (4.2) does not apply to

(a) a charity that is not a selected public service body and that is resident in a participating province;

(b) a qualifying non-profit organization that is not a selected public service body and that is resident in a participating province;

(c) a selected public service body resident in Nova Scotia; or



(d) a municipality resident in New Brunswick.

**(5) Subsection 259(4.3) of the Act is replaced by the following:**

**Rebate to certain  
selected public  
service bodies in  
Newfoundland**

(4.3) Notwithstanding subsection (4.1), where a rebate under this section in respect of property or a service for a claim period is payable to a person that

(a) is a selected public service body resident in Newfoundland,

(b) is a charity, a public institution or a qualifying non-profit organization, and

(c) has activities (in this subsection referred to as its "other activities")

(i) in the case of a person that is designated to be a municipality for the purposes of this section, that are not designated activities (within the meaning of subsection (4)), and

(ii) in any other case, that it engages in otherwise than in the course of fulfilling its responsibilities as a local authority or of operating a public hospital, an elementary or secondary school, a post-secondary college or technical institute, a recognized degree-granting institution or a college affiliated with, or research body of, such a degree-granting institution, as the case may be,

the amount of the rebate is equal to the total of

(d) the amount of the rebate as otherwise determined under subsection (4.1), and

(e) the total of all amounts each of which is an amount that would be determined by the formula in subsection (4) in respect of the property or service for the claim period if

(i) the percentage prescribed for the purposes of that subsection were 50%,

(ii) the reference to designated activities in the description of C in that formula were a reference to the person's other activities, and



(iii) subsection (4.2) did not apply to the person and no tax under any of subsection 165(1) and sections 212 and 218 were included

(A) in any amount referred to in any of subparagraphs (a)(i) to (iv) of the definition "non-creditable tax charged" in subsection (1),

(B) in any amount referred to in subparagraph (v) of that definition that is required under subsection 129(7) to be added in determining the person's net tax, and

(C) in determining any amount referred to in subparagraph (v) of that definition that is an input tax credit required under paragraph 171(4)(b) to be added in determining the person's net tax.

**(6) The portion of subsection 259(5) of the Act before paragraph (a) is replaced by the following:**

**Application for  
rebate**

(5) A rebate under this section in respect of a claim period in a fiscal year of a person shall not be paid to the person unless the person files an application for the rebate after the first day in the year that the person is a selected public service body, charity or qualifying non-profit organization and within four years after the day that is

**(7) Subsection (1) applies for the purpose of determining any rebate under section 259 of the Act the application for which is received by the Minister of National Revenue on or after ANNOUNCEMENT DATE and, for the purposes of this subsection, subsection 334(1) of the Act does not apply.**

**(8) Subsections (2) to (5) are deemed to have come into force on April 1, 1997, except that paragraphs 259(4.21)(a) and (b) of the Act, as enacted by subsection (4), shall be read without reference to the words "that is not a selected public service body and" for the purpose of determining that portion of any rebate payable to a person under section 259 of the Act that**

**(a) is in respect of tax under any of subsection 165(2), sections 212.1 and 218.1 and Division IV.1 of the Act,**

**(b) was claimed in an application received by the Minister of National Revenue before ANNOUNCEMENT DATE, and**

(c) was calculated based on a percentage prescribed for the purposes of subsection 259(4) applicable to a selected public service body described in whichever of paragraphs (a) to (e) of the definition of that expression in subsection 259(1) of the Act applies to the person,

and, for the purposes of this subsection, subsection 334(1) of the Act does not apply.

(9) Subsection (6) is deemed to have come into force on December 17, 1990.

19. (1) Section 261.5 of the Act is repealed.

(2) Subsection (1) is deemed to have come into force on April 1, 1997.

20. (1) Subsection 352(8) of the Act is replaced by the following:

Prepayment after  
specified pre-  
implementation date  
for tangible personal  
property

352. (8) Where a taxable supply of tangible personal property by way of sale is made

(a) in a participating province, or

(b) outside Canada to a person to whom the property is delivered or made available, or physical possession of the property is transferred, in a participating province,

any consideration (other than consideration referred to in subsection (7)) that becomes due, or is paid without having become due, on or after the specified pre-implementation date for that province and before the implementation date for that province for property that is not delivered to the recipient and ownership of which is not transferred to the recipient before that implementation date is deemed, for the purposes of applying subsection 165(2) or section 218.1 to the supply, as the case may require, to have become due on that implementation date and not to have been paid before that implementation date.

(2) Subsection (1) is deemed to have come into force on March 20, 1997.

**21. (1) The Act is amended by adding the following after section 354:**

**Specified motor  
vehicle leases**

**354.1 Where**

(a) a supply of a specified motor vehicle is made by way of lease, licence or similar arrangement for a lease interval (within the meaning of subsection 136.1(1)) under an agreement entered into before the implementation date for a participating province,

(b) used tangible personal property, or a leasehold interest therein, (in this section referred to as the "trade-in") is accepted by the supplier as partial consideration for the supply,

(c) a general retail sales tax imposed under an Act of the legislature of the province at a percentage rate on all goods (other than those specifically enumerated in that Act) would have been payable by the recipient in respect of that lease interval had that tax not been suspended or repealed concurrent with the application of subsection 165(2) or 218.1(1), as the case may be, to that supply, and

(d) the value of the consideration for the supply as otherwise determined under this Part exceeds the amount (in this section referred to as the "adjusted value") that is the value, excluding the amount of any tax under Part IX in respect of the supply, on which that general retail sales tax in respect of that lease interval would have been calculated,

for the purposes of subsection 165(2) or 218.1(1), as the case may be, the value of the consideration for the supply is deemed to be equal to the adjusted value.

**(2) Subsection (1) is deemed to have come into force on March 20, 1997.**

**22. (1) Clause (B) of the description of D in subparagraph 363(2)(c)(ii) of the Act is replaced by the following:**

(B) all amounts each of which is tax under subsection 165(1) in respect of a supply (other than a supply to which clause (C) applies) made by a person other than a selected listed financial institution to the financial institution that would, but for an election made under section 150, have become payable by the

financial institution during the particular reporting period, and

**(2) Clause B of the description of E in subparagraph 363(2)(c)(ii) of the Act is replaced by the following:**

(B) all amounts each of which would be an input tax credit of the financial institution for the particular reporting period of the financial institution in respect of property or a service if tax became payable during the particular reporting period in respect of the supply of the property or service equal to the amount included for the particular reporting period under clause (B) or (C) of the description of D in respect of the supply,

**(3) Subparagraph (ii) of the description of D in paragraph 363(2)(d) of the Act is replaced by the following:**

(ii) all amounts each of which is tax under subsection 165(1) in respect of a supply (other than a supply to which subparagraph (iii) applies) made by a person other than a selected listed financial institution to the financial institution that would, but for an election made under section 150, have become payable by the financial institution during the earlier reporting period, and

**(4) Subparagraph (ii) of the description of E in paragraph 363(2)(d) of the Act is replaced by the following:**

(ii) all amounts each of which would be an input tax credit of the financial institution for the earlier reporting period of the financial institution in respect of property or a service if tax became payable during the earlier reporting period in respect of the supply of the property or service equal to the amount included for the earlier reporting period under subparagraph (ii) or (iii) of the description of D in respect of the supply,

**(5) Subsections (1) to (4) are deemed to have come into force on March 20, 1997.**

**23. (1) The portion of the definition "practitioner" in section 1 of Part II of Schedule V to the Act before paragraph (b) is replaced by the following:**

"practitioner", in respect of a supply of optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological,



occupational therapy, psychological or dietetic services, means a person who

(a) practises the profession of optometry, chiropractic, physiotherapy, chiropody, podiatry, osteopathy, audiology, occupational therapy, psychology or dietetics, as the case may be,

**(2) Subsection (1) is deemed to have come into force on January 1, 1997 except that, in relation to supplies made on or after that day and before 1999, the portion of the definition "practitioner" in section 1 of Part II of Schedule V to the Act before paragraph (b), as enacted by subsection (1), shall be read as follows:**

"practitioner", in respect of a supply of optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological, speech therapy, occupational therapy, psychological or dietetic services, means a person who

(a) practises the profession of optometry, chiropractic, physiotherapy, chiropody, podiatry, osteopathy, audiology, speech therapy, occupational therapy, psychology or dietetics, as the case may be,

**24. (1) Section 7 of Part II of Schedule V to the Act is amended by adding the following after paragraph (e):**

(f) osteopathic services;

**(2) Section 7 of Part II of Schedule V to the Act is amended by adding the following after paragraph (g):**

(h) speech-therapy services;

**(3) Subsection (1) applies to supplies made after 1997.**

**(4) Subsection (2) applies to supplies made after 1997 and before 1999.**

**25. (1) Paragraphs 5.1(a) and (b) of Part V.1 of Schedule V to the Act are replaced by the following:**

(a) if the charity does not charge the recipient any amount as tax under Part IX of the Act in respect of the supply, the total charge for the supply does not, and could not reasonably be expected to, exceed the direct cost of the supply; and

(b) if the charity charges the recipient an amount as tax under that Part in respect of the supply, the consideration for the supply does not, and could not reasonably be expected to, equal or exceed the direct cost of the supply determined without reference to tax imposed under that Part and without reference to any tax that became payable under the first paragraph of section 16 of *An Act respecting the Québec sales tax*, R.S.Q., c. T-0.1, at a time when the charity was a registrant within the meaning assigned by section 1 of that Act.

**(2) Subsection (1) applies to supplies for which consideration becomes due after 1996 or is paid after 1996 without having become due.**

**26. (1) Paragraphs 6(a) and (b) of Part VI of Schedule V to the Act are replaced by the following:**

(a) if the body does not charge the recipient any amount as tax under Part IX of the Act in respect of the supply, the total charge for the supply does not, and could not reasonably be expected to, exceed the direct cost of the supply; and

(b) if the body charges the recipient an amount as tax under that Part in respect of the supply, the consideration for the supply does not, and could not reasonably be expected to, equal or exceed the direct cost of the supply determined without reference to tax imposed under that Part and without reference to any tax that became payable under the first paragraph of section 16 of *An Act respecting the Québec sales tax*, R.S.Q., c. T-0.1, at a time when the body was a registrant within the meaning assigned by section 1 of that Act.

**(2) Subsection (1) applies to supplies for which consideration becomes due after 1996 or is paid after 1996 without having become due.**

## PART II

AN ACT TO AMEND THE EXCISE TAX ACT, THE FEDERAL-  
PROVINCIAL FISCAL ARRANGEMENTS ACT, THE INCOME  
TAX ACT, THE DEBT SERVICING AND REDUCTION  
ACCOUNT ACT AND RELATED ACTS

**27. Subsection 92(3) of *An Act to Amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and Related Acts*, being chapter 10 of the Statutes of Canada, 1997, is replaced by the following:**

**(3) Subsection (2) is deemed to have come into force on January 1, 1997.**

**28. (1) Subsection 208(2) of the Act is amended by replacing paragraph (b) of the description of A in subsection 225.2(2) of the *Excise Tax Act*, as it reads in the said subsection 208(2), by the following:**

(b) all amounts each of which is tax under subsection 165(1) in respect of a supply (other than a supply to which paragraph (c) applies) made by a person other than a selected listed financial institution to the financial institution that would, but for an election made under section 150, have become payable by the financial institution during the particular reporting period, and

**(2) Subsection 208(2) of the Act is amended by replacing paragraph (b) of the description of B in subsection 225.2(2) of the *Excise Tax Act*, as it reads in the said subsection 208(2), by the following:**

(b) all amounts each of which would be an input tax credit of the financial institution for the particular reporting period of the financial institution in respect of property or a service if tax became payable in respect of the supply of the property or service equal to the amount included for the particular reporting period under paragraph (b) or (c) of the description of A in respect of the supply;





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## **Draft Regulations**

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# DRAFT REGULATIONS AMENDING THE AMALGAMATIONS AND WINDINGS-UP CONTINUATION (GST) REGULATIONS

## AMENDMENTS

**1. Section 1 of the *Amalgamations and Windings-Up Continuation (GST) Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Amalgamations and Windings-Up (GST/HST) Regulations*.

**2. (1) The schedule to the Regulations is amended by striking out the reference to "Section 178".**

**(2) The reference to "Subsection 181(2)" in the schedule to the Regulations is replaced by the following:**

Section 181.1

**(3) The references to "Subsections 183(2), (3) and (5)" and "Subsections 184(2) to (4)" in the schedule to the Regulations are replaced by the following:**

Subsections 183(2) and (4) to (8)

Subsections 184(2) to (7)

**(4) The schedule to the Regulations is amended by adding the following in numerical order:**

Section 134

Section 148.1

Section 230.1

Section 263.1

Section 265

Section 266

## COMING INTO FORCE

**3. (1) Section 1 is deemed to have come into force on April 1, 1997.**

**(2) Subsection 2(1) is deemed to have come into force on April 24, 1996.**

**(3) Subsections 2(2) and (3) are deemed to have come into force on December 31, 1990.**

**(4) Subsection 2(4) is deemed to have come into force on the day after ANNOUNCEMENT DATE.**



DRAFT REGULATIONS AMENDING THE ARTISTS'  
REPRESENTATIVES (GST) REGULATIONS

AMENDMENTS

**1. Section 1 of the *Artists' Representatives (GST) Regulations* is replaced by the following:**

**1.** These Regulations may be cited as the *Artists' Representatives (GST/HST) Regulations*.

**2. The schedule to the Regulations is amended by adding the following in alphabetical order:**

Directors' Guild of Canada Inc. (DGC) and its district councils

Société collective de gestion des droits des producteurs de phonogrammes et de vidéogrammes du Québec (SOPROQ)

COMING INTO FORCE

**3. (1) Section 1 is deemed to have come into force on April 1, 1997.**

**(2) The addition of "Directors' Guild of Canada (DGC) and its district councils", in the schedule to the Regulations, as enacted by section 2, is deemed to have come into force on January 1, 1997.**

**(3) The addition of "Société collective de gestion des droits des producteurs de phonogrammes et de vidéogrammes du Québec (SOPROQ)", in the schedule to the Regulations, as enacted by section 2, is deemed to have come into force on August 1, 1991.**

## DRAFT REGULATIONS AMENDING THE CREDIT NOTE INFORMATION REGULATIONS

### AMENDMENTS

**1. The title of the *Credit Note Information Regulations* is replaced by the following:**

REGULATIONS PRESCRIBING THE INFORMATION THAT IS  
TO BE CONTAINED IN CREDIT NOTES AND DEBIT NOTES

**2. Section 1 of the Regulations is replaced by the following:**

1. These Regulations may be cited as the *Credit Note and Debit Note Information (GST/HST) Regulations*.

**3. Section 2 of the Regulations is replaced by the following:**

2. The definitions in this section apply in these Regulations.

"Act" means the *Excise Tax Act*. (*Loi*)

"intermediary" of a person, in respect of a supply, means a registrant who, under an agreement with the person, causes or facilitates the making of the supply by the person. (*intermédiaire*)

**4. (1) The portion of section 3 of the Regulations before paragraph (b) is replaced by the following:**

3. For the purposes of paragraph 232(3)(a) of the Act, the following information is prescribed information that is to be contained in a credit note or a debit note, as the case may be, relating to one or more supplies:

(a) a statement or other indication that the document in question is a credit note or a debit note;

**(2) Paragraph 3(b) of the Regulations is replaced by the following:**

(b) the supplier's name or the name under which the supplier does business or, where there is an intermediary in respect of the supply, the intermediary's name or the name under which the intermediary does business, and the registration number assigned under section 241 of the Act to the supplier or the intermediary, as the case may be;

**(3) Paragraphs 3(d) to (f) of the Regulations are replaced by the following:**

(d) the date on which the note is issued;

(e) where the note is issued in respect of a patronage dividend in circumstances in which subsection 233(2) of the Act applies and the issuer of the dividend has not made an election under subparagraph 233(2)(a)(ii) of the Act that is in effect for the fiscal year of the issuer in which the dividend is paid, the specified amount (within the meaning assigned by subsection 233(1) of the Act) in respect of the dividend, the consideration fraction of the specified amount and the tax fraction of the specified amount; and

**(4) Paragraph 3(e) of the Regulations, as enacted by subsection (3), is replaced by the following:**

(e) where the note is issued in respect of a patronage dividend in circumstances in which subsection 233(2) of the Act applies, the amount of the adjustment, refund or credit of tax that the issuer of the dividend is deemed under paragraph 233(2)(b) of the Act to have made in respect of the supplies to which the dividend relates; and

**(5) Paragraph 3(g) of the Regulations is renumbered as paragraph 3(f) and the portion of that paragraph before subparagraph (iii) is replaced by the following:**

(f) except where paragraph (e) applies,

(i) where a single invoice in respect of the supply to which the note relates is issued to the recipient in respect of the supply or the supply is made pursuant to an agreement in writing, the date of the invoice or of the agreement,

(ii) where the note is issued in respect of more than one invoice, the date of the invoice that was issued first and the date of the invoice that was issued last,

**(6) Paragraph 3(f) of the Regulations, as amended by subsection (5), is replaced by the following:**

(f) except where paragraph (e) applies,

(i) where the note is issued for a total amount that includes the amount by which the consideration for one or more taxable supplies (other than zero-rated supplies), and the tax calculated thereon, has been reduced,

(A) the amount of the adjustment, refund or credit of tax that is included in that total, or

(B) all of the following:

(I) a statement to the effect that that total includes the adjustment, refund or credit of tax,

(II) the total (in this clause referred to as the "total tax rate") of the rates at which tax was paid or payable in respect of each of the taxable supplies that are not zero-rated supplies and for which there is a reduction in tax, and

(III) either the total of the reduction of consideration and tax in respect of each such supply or the total reduction of consideration and tax in respect of all such supplies to which the same total tax rate applies, and

(ii) in any other case, the amount of the adjustment, refund or credit of tax for which the note is issued.

#### APPLICATION

**5. (1) Sections 1 and 2 and subsections 4(1), (3) and (5) are deemed to have come into force on December 31, 1990, except that the reference to "(GST/HST)" in section 1 of the Regulations, as enacted by section 2, shall be read as a reference to "(GST)" before April 1, 1997.**

**(2) Section 3 is deemed to have come into force on April 24, 1996.**

**(3) Subsection 4(2) applies in relation to supplies made after April 23, 1996.**

**(4) Subsections 4(4) and (6) apply to credit notes and debit notes issued after March 1997 except that, in relation to credit or debit notes issued before February 1998, clause 3(f)(i)(B) of the Regulations, as enacted by subsection 4(6), shall be read as follows:**

(B) a statement to the effect that total includes the adjustment, refund or credit of tax, and



## DRAFT DEDUCTION FOR PROVINCIAL REBATE (GST/HST) REGULATIONS

### INTERPRETATION

1. In these Regulations, "printed book" has the meaning assigned by subsection 259.1(1) of the *Excise Tax Act*.

### PRESCRIBED AMOUNT

2. For the purposes of subsection 234(3) of the *Excise Tax Act*, the prescribed amount in respect of any item included in the schedule is the amount that may be paid or credited under an Act of the legislature of a province and that is equal to an amount of tax payable under Part IX of the *Excise Tax Act* in respect of that item.

### COMING INTO FORCE

3. These Regulations are deemed to have come into force on April 1, 1997.

### SCHEDULE (Section 2)

1. A printed book or an update of such a book.
2. An audio recording all or substantially all of which is a spoken reading of a printed book.
3. A bound or unbound printed version of scripture of any religion.

# DRAFT FEDERAL BOOK REBATE (GST/HST) REGULATIONS

## PRESCRIBED SPECIFIED PERSONS

1. Any person listed in the schedule is prescribed for the purposes of paragraph (f) of the definition "specified person" in subsection 259.1(1) of the *Excise Tax Act*.

## COMING INTO FORCE

2. These Regulations are deemed to have come into force on October 24, 1996.

## SCHEDULE (Section 1)

Core Literacy Centre, Waterloo Region Inc.

Haldimand-Norfolk Literacy Council

Le Centre La Magie Des Lettres Ottawa Inc.

Literacy Council of South Temiskaming

Literacy Society of South Muskoka

North Algoma Literacy Coalition

Quinte Literacy Group

Winnipeg Volunteer Reading Aides Inc.

DRAFT REGULATIONS AMENDING THE INPUT TAX CREDIT  
INFORMATION REGULATIONS

AMENDMENTS

**1. Section 1 of the *Input Tax Credit Information Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Input Tax Credit Information (GST/HST) Regulations*.

**2. Section 2 of the Regulations is amended by adding the following in alphabetical order:**

"intermediary" of a person, in respect of a supply, means a registrant who, under an agreement with the person, causes or facilitates the making of the supply by the person; (*intermédiaire*)

**3. (1) Subparagraph 3(a)(i) of the Regulations is replaced by the following:**

(i) the supplier's name or the name under which the supplier does business or, where there is an intermediary in respect of the supply, the intermediary's name or the name under which the intermediary does business,

**(2) Subparagraphs 3(b)(i) and (ii) of the Regulations are replaced by the following:**

(i) the supplier's name or the name under which the supplier does business or, where there is an intermediary in respect of the supply, the intermediary's name or the name under which the intermediary does business, and the registration number assigned under section 241 of the Act to the supplier or the intermediary, as the case may be,

(ii) the information set out in subparagraphs (a)(ii) to (iv),

**(3) Subparagraph 3(b)(iv) of the Regulations is replaced by the following:**

(iv) where the amount paid or payable for the supply or the supplies includes the amount of tax paid or payable in respect thereof and one or more supplies are taxable supplies that are not zero-rated supplies,

(A) a statement to the effect that tax is included in the amount paid or payable for each taxable supply,

(B) the total (in this paragraph referred to as the "total tax rate") of the rates at which tax was paid or payable in respect of each of the taxable supplies that are not zero-rated supplies, and

(C) either the amount paid or payable for each such supply or the total amount paid or payable for all such supplies to which the same total tax rate applies, and

**(4) Subparagraph 3(c)(i) of the Regulations is replaced by the following:**

(i) the information set out in paragraphs (a) and (b),

#### APPLICATION

**4. (1) Section 1 is deemed to have come into force on April 1, 1997.**

**(2) Section 2 and subsections 3(1), (2) and (4) apply to supplies made after April 23, 1996.**

**(3) Subsection 3(3) applies to supplies made after March 1997 except that, with respect to supplies made before February 1998, subparagraph 3(b)(iv) of the Regulations, as enacted by that subsection, shall be read without reference to clause (C).**

DRAFT REGULATIONS AMENDING THE MAIL AND COURIER  
IMPORTS (GST) REGULATION

AMENDMENTS

**1. Section 1 of the *Mail and Courier Imports (GST) Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Mail and Courier Imports (GST/HST) Regulations*.

**2. Paragraphs 3(a) and (b) of the Regulations are replaced by the following:**

(a) excisable goods and wine;

(b) goods that are prescribed property for the purposes of section 143.1 of the Act, where the supplier of the goods is required to register under Subdivision d of Division V of Part IX of the Act and is not so registered;

APPLICATION

**3. (1) Section 1 is deemed to have come into force on April 1, 1997.**

**(2) Section 2 applies to goods imported after ANNOUNCEMENT DATE.**



## DRAFT REGULATIONS AMENDING THE PUBLIC SERVICE BODY REBATE (GST) REGULATIONS

### AMENDMENTS

**1. Section 1 of the *Public Service Body Rebate (GST) Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Public Service Body Rebate (GST/HST) Regulations*.

**2. (1) The portion of paragraph (a) of the definition "government funding" in section 2 of the Regulations before subparagraph (i) is replaced by the following:**

(a) an amount of money (including a forgivable loan but not including any other loan or a refund, rebate or remission of, or credit in respect of, taxes, duties or fees imposed under any statute) that is readily ascertainable and is paid or payable to the particular person by a grantor

**(2) Subparagraph (b)(ii) of the definition "government funding" in section 2 of the Regulations is replaced by the following:**

(ii) the amount would be government funding of the particular person because of paragraph (a) if the amount were paid by the grantor directly to the particular person for the same purpose as it was paid to the particular person by the intermediary or the other organization, as the case may be, and if the reference to "grantor" in subparagraph (a)(ii) included a reference to that intermediary or other organization as the case may be; (*montant de financement public*)

**(3) Section 2 of the Regulations is amended by adding the following in alphabetical order:**

"consideration", in respect of a supply, includes all amounts credited to the recipient of the supply in respect of a trade-in (within the meaning of subsection 153(4) of the Act) accepted in full or partial consideration for the supply or, where the supplier and the recipient are not dealing with each other at arm's length at the time the supply is made and the amount credited to the recipient in respect of the trade-in exceeds the fair market value of the trade-in at the time ownership thereof is transferred to the supplier, that fair market value; (*contrepartie*)

**3. The Regulations are amended by adding the following after section 2:**

*Prescribed Government Organizations*

**2.1** For the purposes of the definition "non-profit organization" in subsection 259(1) of the Act, a person that is a specified Crown agent or an agent of Her Majesty in right of a province and that would be a non-profit organization within the meaning assigned by subsection 123(1) of the Act if the definition of that expression were read without reference to "a government" is a prescribed government organization.

**4. (1) The portion of subsection 3(1) of the French version of the Regulations before paragraph (a) is replaced by the following:**

**3. (1)** Pour l'application de la définition de « pourcentage de financement public », au paragraphe 259(1) de la Loi, le pourcentage applicable à une personne pour son exercice correspond au plus élevé des pourcentages suivants :

**(2) Subclause (iii)(A)(V) of the description of B in paragraph 3(1)(a) of the Regulations is replaced by the following:**

(V) supplies deemed under any of subsections 171(3), 172(2) and 183(4) to (6) of the Act to have been made by the particular person or supplies by the particular person to which subsection 173(1) of the Act applies,

**5. (1) The portion of subsection 4(1) of the Regulations before paragraph (a) is replaced by the following:**

**4. (1)** For the purpose of determining a rebate payable to a particular person under section 259 of the Act, a prescribed property or service is

**(2) Clause 4(1)(a)(i)(C) of the Regulations is replaced by the following:**

(C) seniors,

**(3) Clause 4(1)(a)(i)(F) of the Regulations is replaced by the following:**

(F) individuals with a disability, individuals in distress or other individuals in need of assistance,

**(4) Paragraph 4(1)(b) of the Regulations is replaced by the following:**

(b) property or a service that is primarily for consumption, use or supply by the particular person in the course of making a supply of a parking space included in section 8.1 of Part I of Schedule V to the Act for a period, where the supply is incidental to the use of land, a residential complex or a residential unit and property and services for use by the particular person primarily in the course of making supplies by way of lease, licence or similar arrangement of the land, residential complex or residential unit during the period are prescribed property or services because of paragraph (a);

**(5) The portion of paragraph 4(1)(g) of the French version of the Regulations before subparagraph (i) is replaced by the following:**

g) le bien ou le service (appelé « avantage » au présent alinéa) que la personne acquiert ou importe exclusivement pour la consommation ou l'utilisation personnelles soit d'un particulier donné qui est le cadre, le salarié ou le membre de la personne -- ou qui a accepté ou a cessé de l'être --, soit d'un autre particulier lié au particulier donné, sauf si, selon le cas :

**(6) The portion of paragraph 4(1)(g) of the Regulations, as amended by subsection (5), before subparagraph (ii) is replaced by the following:**

(g) property or a service that is acquired, imported or brought into a participating province by the particular person exclusively for the personal consumption, use or enjoyment (in this paragraph referred to as the "benefit") of a particular individual who was, is or agrees to become an officer, employee or member of the particular person, or of another individual related to the particular individual, except where

(i) the particular person supplies the property or service to the particular individual or the other individual for consideration that becomes due in the year in which the property or service was acquired or imported, or brought into the participating province, as the case may be, by the particular person and that is equal to the fair market value of the property or service at the time the consideration becomes due and tax is payable in respect of the supply, or

**(7) Subsection 4(1) of the Regulations is amended by striking out the word "and" at the end of paragraph (g) and by replacing paragraph (h) with the following:**

(h) property or a service that is supplied to another person where

(i) an amount is required under paragraph 6(1)(a), (e), (k) or (l) or subsection 15(1) of the *Income Tax Act* to be included in computing the income of the other person for the purposes of that Act, and

(ii) subsection 173(1) of the *Excise Tax Act* does not apply to the supply or the subsection does apply to the supply but no tax is payable in respect of it;

(i) property or a service that is deemed under section 273 of the Act to be acquired, imported or brought into a participating province by the particular person acting as the operator (within the meaning of that section) of a joint venture in respect of which an election under that section is in effect, where any of the co-venturers (within the meaning of that section) of the joint venture would not be entitled to claim a rebate under section 259 of the Act in respect of the property or service if it were otherwise acquired, imported or brought in by the co-venturer for the same purpose as that for which it is acquired, imported or brought in by the particular person on behalf of the co-venturer and if tax were payable by the co-venturer in respect of that property or service; and

(j) a returnable container (within the meaning assigned by section 226 of the Act) when acquired or brought into a participating province by a person in circumstances in which the person, if a registrant, would, because of subsection 226(4) of the Act, not be entitled to include tax in respect of the acquisition or bringing into the province of the container in determining an input tax credit of the person, whether the person would otherwise have been so entitled in the absence of that subsection.

**6. The portion of section 5 of the Regulations before paragraph (a) is replaced by the following:**

**5.** For the purposes of determining a rebate payable to a person under section 259 of the Act, the prescribed percentage is

**7. The Regulations are amended by adding the following after section 5:**

*Prescribed Method of Calculating Rebate*

**6. (1)** For the purposes of section 7, the threshold amount for a fiscal year of a person is equal to the total of

(a) the amount determined by the formula

$$A \times 365/B$$



where

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the person) made by the person that became due, or was paid without having become due, to the person in the immediately preceding fiscal year (in this subsection referred to as the "base year") of the person, and

B is the number of days in the base year; and

(b) the total of all amounts each of which is an amount in respect of another person (in this paragraph referred to as the "associate") who was associated with the person at the end of the particular fiscal year of the associate that is the last fiscal year of the associate ending in the base year and is determined by the formula

$$C \times 365/D$$

where

C is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the associate) made by the associate that became due, or was paid without having become due, to the associate in the particular fiscal year, and

D is the number of days in the particular fiscal year.

(2) For the purposes of section 7, the threshold amount for a particular fiscal quarter in a particular fiscal year of a person is equal to the total of

(a) all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the person) made by the person that became due, or was paid without having become due, to the person in the preceding fiscal quarters in the particular fiscal year; and

(b) all amounts each of which is an amount in respect of another person (in this paragraph referred to as the "associate") who was



associated with the person at the beginning of the particular fiscal quarter and is equal to the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the associate) made by the associate that became due, or was paid without having become due, to the associate in the fiscal quarters of the associate that end in the particular fiscal year before the beginning of the particular fiscal quarter.

(3) For the purposes of subsections (1) and (2), where consideration, or a part thereof, for a taxable supply (other than a supply by way of sale of real property) made by a person in the course of activities engaged in by the person in a branch or division of the person becomes due, or is paid without having become due, to the person at a time when the branch or division is a small supplier division (within the meaning of subsection 129(1) of the Act), that consideration or part thereof, as the case may be, is deemed not to be consideration for a taxable supply.

(4) For the purposes of section 7, the purchase threshold for a fiscal year of a person is equal to the total of all amounts each of which

(a) is an amount that became due, or was paid without having become due, by the person in the immediately preceding fiscal year of the person for a taxable supply, other than a zero-rated supply, of property or a service that was acquired in Canada by the person or was acquired outside Canada by the person and imported by the person; and

(b) is either

(i) included in determining the cost to the person of the property or service for the purposes of the *Income Tax Act*, or

(ii) tax payable by the person in respect of the acquisition or importation of the property or service.

(5) Where property or a service is acquired by a person for consumption, use or supply in the course of activities engaged in by the person in a branch or division of the person and, at a time when the branch or division is a small supplier division (within the meaning of subsection 129(1) of the Act), an amount becomes due, or is paid without having become due, by the person for the supply of the property or service to the person, the amount shall not be included in determining the purchase threshold under subsection (4) for any fiscal year of the person.

(6) For the purposes of this section and sections 7 and 8, where consideration for a supply of property or a service is deemed by section 152 of the Act to become due on a particular day and an amount of a tax, duty or fee that

(a) is prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST/HST) Regulations*,

(b) is imposed in respect of the property or service, and

(c) is calculated on that consideration,

has not become due on or before that day, the amount of that tax, duty or fee is deemed to have become due on that day.

(7) For the purposes of this section and sections 7 and 8, where, under subsection 168(3), (6) or (7) of the Act, tax in respect of a supply of property or a service becomes payable by a person on a particular day,

(a) the consideration on which that tax is calculated, and

(b) any tax, duty or fee prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST/HST) Regulations* that is payable by the person in respect of the property or service and has not become due on or before that day,

are deemed to have become due on that day.

7. (1) A person is, on the first day of a claim period of the person, a prescribed person for the purposes of subsection 259(12) of the Act where

(a) the threshold amount for the person's fiscal year that includes the claim period does not exceed \$500,000;

(b) if the person's fiscal quarter that includes the claim period is not the first fiscal quarter in the fiscal year, the threshold amount for the fiscal quarter does not exceed \$500,000;

(c) the purchase threshold for the fiscal year does not exceed \$2,000,000; and

(d) it is reasonable to expect at the beginning of the claim period that the purchase threshold for the person's next fiscal year will not exceed \$2,000,000.

(2) A person ceases to be a prescribed person for the purposes of subsection 259(12) of the Act at the earliest of,

(a) where the threshold amount for a fiscal year of the person exceeds \$500,000, the end of the first fiscal quarter in that fiscal year;

(b) where the threshold amount for the second or third fiscal quarter in a fiscal year of the person exceeds \$500,000, the end of the first fiscal quarter in that year for which the threshold amount exceeds \$500,000; and

(c) where the purchase threshold for a fiscal year of the person exceeds \$2,000,000, the end of the first fiscal quarter in that fiscal year.

#### 8. (1) Where

(a) personal property or a service is supplied in Canada to a particular person by another person or tangible personal property is supplied outside Canada to a particular person by another person and imported by the particular person, and

(b) the particular person is entitled to claim a rebate under section 259 of the Act in respect of the property or service for any claim period of the particular person,

for the purpose of determining in accordance with these Regulations the amount of a rebate under that section in respect of the property or service for a particular claim period of the particular person, the amount of tax under Division II or III, as the case may be, of Part IX of the Act that became payable, or was paid without having become payable, by the particular person during the particular claim period in respect of the supply or importation of the property or service is deemed to be equal to the amount determined by the formula

$$A \times B$$

where

A is the tax fraction, and

B is the total of all amounts each of which is

(a) the consideration that became due, or was paid without having become due, by the particular person during the period in respect of the supply of the property or service to the particular person,

(b) the tax under Division II or III of Part IX of the Act that became payable, or was paid without having become payable, by the particular person during the period in respect of the supply or importation of the property or service,

(c) in the case of tangible personal property that was imported by the particular person, the amount of a tax or duty imposed in respect of the property under the Act (other than Part IX thereof), the *Customs Act*, the *Special Import Measures Act* or any other law relating to customs that became due, or was paid without having become due, by the particular person during the period,

(d) the amount of a tax, duty or fee prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST/HST) Regulations* that became due, or was paid without having become due, by the particular person during the period in respect of the property or service, other than tax imposed under an Act of the legislature of a province to the extent that the tax is recoverable by the particular person under that Act,

(e) a reasonable gratuity paid by the particular person during the period in connection with the supply, or

(f) interest, a penalty or other amount paid by the particular person during the period where the amount was charged to the particular person by the supplier of the property or service because an amount of consideration, or an amount of a tax, duty or fee referred to in paragraph (c) or (d), that was payable in respect of the supply or importation was overdue.

(2) For the purpose of determining in accordance with these Regulations the amount of a rebate under section 259 of the Act payable to a partnership, employer, charity or public institution in respect of property or a service acquired or imported by a member of the partnership, an employee of the employer, or a volunteer who has given services to the charity or public institution and in respect of which the member, employee or volunteer was liable to pay tax under Division II or III of Part IX of the Act, the amount of that tax is deemed, for the purpose of applying section 175 of the Act, to be equal to the amount that would be determined under subsection (1) if that subsection applied to the acquisition or importation by the member, employee or volunteer.

**8. The portion of subsection 8(1) of the Regulations, as enacted by section 7, after paragraph (b) and before the description of B is replaced by the following:**

for the purpose of determining in accordance with these Regulations the amount of a rebate under that section in respect of the property or



service for a particular claim period of the particular person, the amount of tax under subsection 165(1) or (2) or section 212 or 212.1 of the Act, as the case may be, that became payable, or was paid without having become payable, by the particular person during the particular claim period in respect of the supply or importation of the property or service is deemed to be equal to the amount determined by the formula

$$A \times B$$

where

A is

(a) where neither tax under subsection 165(2) nor section 212.1 of the Act was payable in respect of the acquisition or importation, 7/107 in the case of tax payable under subsection 165(1) or section 212 of the Act, and

(b) where tax under subsection 165(2) or section 212.1 of the Act was payable in respect of the acquisition or importation,

(i) 7/115, in the case of tax payable under subsection 165(1) or section 212 of the Act, and

(ii) 8/115, in the case of tax payable under subsection 165(2) or section 212.1 of the Act, and

#### APPLICATION

**9. (1) Section 1, subsection 5(6) and section 8 are deemed to have come into force on April 1, 1997.**

**(2) Subsection 2(1), sections 3 and 4, subsections 5(1), (4) and (5), paragraph 4(1)(h) of the Regulations, as enacted by subsection 5(7), and section 6 are deemed to have come into force on December 31, 1990 except that the reference in the said paragraph 4(1)(h) to "paragraph 6(1)(a), (e), (k) or (l)" shall be read as a reference to "paragraph 6(1)(a) or (e)" in relation to amounts required to be included in computing income for the purposes of the *Income Tax Act* for the 1992 and previous taxation years.**

**(3) Subsections 2(2) and (3) and paragraph 4(1)(j) of the Regulations, as enacted by subsection 5(7), apply for the purpose of determining rebates under section 259 of the *Excise Tax Act* in respect of claim periods beginning after ANNOUNCEMENT DATE.**

**(4) Paragraph 4(1)(i) of the Regulations, as enacted by subsection 5(7), applies in respect of property or services acquired**



or imported after December 11, 1992 or brought into a participating province after March 1997 and, before April 1997, that paragraph shall be read without reference to the bringing in of property into a participating province.

(5) Section 7 applies for the purpose of determining rebates under section 259 of the *Excise Tax Act* in respect of claim periods that are fiscal years ending after 1992 or fiscal months or fiscal quarters ending after February 1993 except that

(a) before April 1, 1997, the references to "(GST/HST)" in paragraphs 6(6)(a) and (7)(b), and in paragraph (d) of the description of B in subsection 8(1), of the Regulations, as enacted by section 7, shall be read as references to "(GST)";

(b) paragraphs 7(1)(c) and (d) of the Regulations, as enacted by section 7, do not apply for the purpose of determining whether a person is a person who may make an election under subsection 259(12) of the Act to take effect in a fiscal year of the person beginning before July 1993; and

(c) paragraph 7(2)(c) of the Regulations, as enacted by section 7, does not apply for the purpose of determining whether a person ceases to be a prescribed person for the purposes of subsection 259(12) of the Act in a fiscal year of the person beginning before July 1993.

DRAFT REGULATIONS AMENDING THE PUBLICATIONS  
SUPPLIED BY A NON-RESIDENT REGISTRANT  
REGULATIONS

AMENDMENTS

**1. The title of the *Publications Supplied by a Non-resident Registrant Regulations* is replaced by the following:**

REGULATIONS RESPECTING PUBLICATIONS SUPPLIED BY A  
REGISTRANT

**2. Section 1 of the Regulations is replaced by the following:**

1. These Regulations may be cited as the *Publications Supplied by a Registrant (GST/HST) Regulations*.

**3. The definition "registration number" in section 2 of the Regulations is replaced by the following:**

"registration number" means a registration number assigned under subsection 241(1) of the Act. (*numéro d'inscription*)

**4. (1) The portion of section 3 of the Regulations before paragraph (a) is replaced by the following:**

3. For the purposes of section 143.1 of the Act, the following property is prescribed property:

**(2) Paragraphs 3(a) and (b) of the Regulations are replaced by the following:**

(a) a book, newspaper, periodical, magazine and any similar printed publication, other than a publication included in section 1 of Schedule VII to the Act; and

(b) an audio recording that relates to a publication included in paragraph (a) and that accompanies the publication when it is submitted to the Canada Post Corporation or a customs officer.

**5. The portion of section 4 of the Regulations before paragraph (a) is replaced by the following:**

4. Where a person makes a supply of a publication referred to in paragraph 3(a), the supply is deemed under section 143.1 of the Act to have been made in Canada and the supply is not deemed under

subsection 142(1) of the Act to have been made in Canada, the person shall provide

#### COMING INTO FORCE

**6. (1) Sections 1 and 2 and subsection 4(1) are deemed to have come into force on January 1, 1993, except that, before April 1, 1997, the reference in section 1 of the Regulations, as enacted by section 2, to "(GST/HST)" shall be read as a reference to "(GST)".**

**(2) Subsection 4(2) is deemed to have come into force on ANNOUNCEMENT DATE.**

## DRAFT REGULATIONS AMENDING THE STREAMLINED ACCOUNTING (GST) REGULATIONS

### AMENDMENTS

**1. Section 1 of the *Streamlined Accounting (GST) Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Streamlined Accounting (GST/HST) Regulations*.

2. (1) The definitions "basic groceries", "improvement", "medical device", "prescription drug" and "retail establishment" in subsection 2(1) of the Regulations are repealed.

(2) The definitions "Division II", "Division III" and "Division V" in subsection 2(1) of the Regulations are replaced by the following:

"Division II", "Division III", "Division IV", "Division IV.1" and "Division V" means Division II, III, IV, IV.1 and V, respectively, of Part IX of the Act; (*section II, section III, section IV, section IV.1 et section V*)

(3) The definitions "bien immobilisé" and "immobilisation admissible" in the French version of subsection 2(1) of the Regulations are replaced by the following:

« bien immobilisé » Bien qui est l'immobilisation d'une personne au sens de la *Loi de l'impôt sur le revenu*, ou qui le serait si la personne était un contribuable aux termes de cette loi. (*capital asset*)

« immobilisation admissible » Bien qui est l'immobilisation admissible d'une personne au sens de la *Loi de l'impôt sur le revenu*, ou qui le serait si la personne était un contribuable aux termes de cette loi. (*eligible capital property*)

(4) Subsection 2(1) of the Regulations is amended by adding the following in alphabetical order:

"consideration", in respect of a supply, includes all amounts credited to the recipient of the supply in respect of a trade-in (within the meaning of subsection 153(4) of the Act) accepted in full or partial consideration for the supply or, where the supplier and the recipient are not dealing with each other at arm's length at the time the supply is made and the amount credited to the recipient in respect of the trade-in exceeds the fair market value of the trade-in at the time

ownership thereof is transferred to the supplier, that fair market value; (*contrepartie*)

**(5) The description of A in subsection 2(2) of the Regulations is replaced by the following:**

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property, capital assets or eligible capital property of the registrant) made in Canada by the registrant that became due, or was paid without having become due, to the registrant in the threshold period for the reporting period;

**(6) The descriptions of A and B in subsection 2(2) of the Regulations, as amended by subsection (5), are replaced by the following:**

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) that became due, or was paid without having become due, to the registrant in the threshold period for the reporting period for taxable supplies (other than supplies of financial services, supplies by way of sale of real property, capital assets or eligible capital property of the registrant and supplies deemed under subsection 177(1.2) of the Act to be made by the registrant) that are or would, but for that subsection, be made in Canada by the registrant;

B is the total of all tax under Division II that became collectible in the threshold period in respect of taxable supplies (other than supplies of financial services, supplies by way of sale of real property, capital assets or eligible capital property of the registrant and supplies deemed under subsection 177(1.2) of the Act to be made by the registrant) that are or would, but for that subsection, be made in Canada by the registrant; and

**(7) The description of A in paragraph 2(3)(a) of the Regulations is replaced by the following:**

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property, capital assets or eligible capital property of the registrant) made by the registrant that became due, or was paid without having become due, to the registrant in the threshold period for the reporting period,



**(8) The description of D in paragraph 2(3)(b) of the Regulations is replaced by the following:**

D is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property, capital assets or eligible capital property of the associate) made by the associate that became due, or was paid without having become due, to the associate in the particular fiscal year,

**3. Parts I to III of the Regulations are repealed.**

**4. (1) The description of C in the definition "cost" in subsection 15(1) of the Regulations is replaced by the following:**

C is the total of all tax under any of Divisions II to IV.1 that became payable by the registrant in the threshold period in respect of tangible personal property of that class or kind acquired, imported or brought into a participating province by the registrant for that purpose, and

**(2) The definition "specified supply" in subsection 15(1) of the Regulations is amended by replacing paragraphs (b) and (c) with the following:**

(b) a zero-rated supply,

(c) a supply that is deemed under section 172 or 175.1 of the Act to have been made or to which section 173 of the Act applies,

(d) a supply made outside Canada, and

(e) a supply in respect of which the recipient is not required to pay tax because of an Act of Parliament unless, in the case of a supply to Her Majesty in right of a province, Her Majesty in right of that province has agreed, under an agreement with Her Majesty in right of Canada, to pay the tax under Part IX of the Act in respect of the supply. (*fourniture déterminée*)

**(3) The definition "specified supply" in subsection 15(1) of the Regulations, as amended by subsection (2), is amended by striking out the word "and" at the end of paragraph (d), by adding the word "and" at the end of paragraph (e) and by adding the following:**

(f) a supply deemed under subsection 177(1) or (1.2) of the Act to have been made by a registrant acting as an agent for another person. (*fourniture déterminée*)

**(4) Subsection 15(1) of the Regulations is amended by adding the following in alphabetical order:**

"basic groceries" of a registrant means property acquired or imported by the registrant for the purpose of making a supply of the property that is included in Part III of Schedule VI to the Act; (*produit alimentaire de base*)

**(5) Subsection 15(5) of the Regulations is replaced by the following:**

(5) The quick-method rate of a registrant for a particular reporting period of the registrant is

(a) 2.5% where the cost to the registrant, in the threshold period for the particular reporting period, of all tangible personal property (other than basic groceries of the registrant) acquired by the registrant for the purpose of supply by way of sale by the registrant is equal to at least 40% of the basic threshold amount for the particular reporting period, determined without reference to supplies included in Part III of Schedule VI to the Act; and

(b) 5% in any other case.

(5.1) The net specified supplies of a registrant for a reporting period of the registrant is the amount determined by the formula

$$A - B$$

where

A is the total of

(a) all consideration for specified supplies made by the registrant that became due, or was paid without having become due, to the registrant in the reporting period, and

(b) all amounts that became collectible, and all other amounts collected, by the registrant in the reporting period as or on account of tax under Division II in respect of specified supplies made by the registrant; and

B is the total of all amounts each of which is an amount that the registrant has, in the reporting period, paid or credited to a person as or on account of

(a) a reduction in, or a rebate or refund of, all or part of the consideration for a specified supply made by the registrant to the person, or

(b) a refund of, or a credit for, tax under Division II charged to or collected from the person in respect of a specified supply made by the registrant.

**(6) Subsection 15(5) of the Regulations, as enacted by subsection (5), is replaced by the following:**

(5) The quick-method rate of a registrant for a particular reporting period that applies in respect of a supply made by the registrant is

(a) where the cost to the registrant, in the threshold period for the particular reporting period, of all tangible personal property (other than basic groceries of the registrant and property in respect of the acquisition of which the registrant was not required to pay tax) acquired by the registrant for the purpose of supply by way of sale by the registrant is equal to at least 40% of the basic threshold amount for the particular reporting period, determined without reference to supplies included in Part III of Schedule VI to the Act,

(i) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a non-participating province, 2.5%,

(ii) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a non-participating province, 9.3%,

(iii) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a participating province, 0%, and

(iv) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a participating province, 5%; and

(b) in any other case,

(i) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a non-participating province, 5%,

(ii) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a non-participating province, 11.6%,

(iii) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a participating province, 3.2%, and

(iv) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a participating province, 10%.

(5.01) For the purpose of determining under subsection (5) the quick-method rate applicable to a supply in respect of which the supplier is entitled to a deduction under subsection 234(3) of the Act, the supply is deemed to have been made in a non-participating province through a permanent establishment of the supplier in a non-participating province.

(5.02) For the purpose of determining under subsection (5) the quick-method rate of a registrant for a reporting period applicable to supplies made by the registrant through a permanent establishment of the registrant, the registrant may

(a) where substantially all of the specified supplies made by the registrant in the reporting period through that permanent establishment are made in participating provinces, treat all of the specified supplies made by the registrant in the reporting period through that establishment as having been made in a participating province; and

(b) where substantially all of the specified supplies made by the registrant in the reporting period through that permanent establishment are made in non-participating provinces, treat all of the specified supplies made by the registrant in the reporting period through that establishment as having been made in a non-participating province.

**(7) Subsections 15(7) and (8) of the Regulations are repealed.**

**5. (1) The portion of subsection 16(1) of the Regulations before paragraph (a) is replaced by the following:**

**16. (1) Where**

**(2) Paragraphs 16(1)(b) and (c) of the Regulations are replaced by the following:**



(b) the total threshold amount for the reporting period does not exceed \$200,000, and

(c) the registrant was engaged in commercial activities throughout the 365-day period ending immediately before the beginning of the reporting period and an election of the registrant did not cease to have effect in that 365-day period because of a revocation of the election,

**(3) Paragraphs 16(2)(a) to (d) of the Regulations are replaced by the following:**

(a) the first fiscal year of the registrant that is a reporting period of the registrant in which the registrant ceases to be a specified registrant;

(b) the fiscal year of the registrant immediately preceding the first fiscal year of the registrant that is a reporting period of the registrant for which the total threshold amount exceeds \$200,000;

(c) the first fiscal quarter of the registrant that includes a reporting period of the registrant for which the total threshold amount exceeds \$200,000; and

(d) the fiscal quarter of the registrant immediately preceding the first fiscal quarter of the registrant that includes a reporting period of the registrant in which the registrant ceases to be a specified registrant.

**6. (1) The portion of section 17 of the Regulations before the formula is replaced by the following:**

**17.** Subject to subsection 21.3(1), where an election by a registrant to determine the net tax of the registrant in accordance with this Part is in effect during a particular reporting period of the registrant, the net tax of the registrant for the particular reporting period is equal to the positive or negative amount determined by the formula

**(2) Section 17 of the Regulations, as amended by subsection (1), is replaced by the following:**

**17. (1)** Subject to subsection 21.3(1), where an election by a registrant to determine the net tax of the registrant in accordance with this Part is in effect during a particular reporting period of the registrant, the net tax of the registrant for the particular reporting period is equal to the positive or negative amount determined by the formula

$$(A \times B) + C - D - (1\% \times E)$$



where

- A is the quick-method rate of the registrant for the particular reporting period;
- B is the net specified supplies of the registrant for the particular reporting period;
- C is the total of

- (a) all amounts that became collectible and all other amounts collected by the registrant in the particular reporting period as or on account of tax under Division II in respect of supplies (other than specified supplies) made by the registrant,

- (b) all amounts in respect of supplies (other than specified supplies) made by the registrant that are required under Division V to be added in determining the net tax for the particular reporting period, and

- (c) the amount that is required under subsection 238.1(4) of the Act to be added in determining the net tax for the particular reporting period;

D is the total of all amounts each of which is

- (a) an input tax credit

- (i) for the particular reporting period or a preceding reporting period of the registrant in respect of property (other than specified property) acquired or imported by the registrant or an improvement thereto,

- (ii) for a reporting period of the registrant ending before the election became effective in respect of specified property or services (other than an improvement to property that is not specified property) acquired or imported by the registrant, or

- (iii) for the particular reporting period or a preceding reporting period of the registrant in respect of property described in paragraph 120(3)(b) of the Act,

that is claimed in the return filed under Division V by the registrant for the particular reporting period, or

- (b) an amount in respect of a supply (other than a specified supply) made by the registrant that may be deducted by the registrant under Division V in determining the net tax for the

particular reporting period and that is claimed in the return filed under Division V by the registrant for the particular reporting period; and

E is

(a) where the election was not in effect on the first day of the registrant's fiscal year that includes the particular reporting period, nil,

(b) where the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year that end before the particular reporting period is equal to or greater than \$30,000, nil, and

(c) in any other case,

(i) where the particular reporting period is the first reporting period in that fiscal year, the lesser of the net specified supplies of the registrant for the particular reporting period and \$30,000, and

(ii) where the particular reporting period is not the first reporting period in that fiscal year, the lesser of

(A) the net specified supplies of the registrant for the particular reporting period, and

(B) the amount by which \$30,000 exceeds the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year that end before the particular reporting period.

(2) For the purposes of paragraphs (b) and (c) of the description of E in subsection (1), the first reporting period of a registrant beginning after 1993 in a fiscal year of the registrant beginning before 1994 is deemed to be the first reporting period of the registrant in that fiscal year.

**(3) Paragraph (a) of the description of D in subsection 17(1) of the Regulations, as enacted by subsection (2), is amended by striking out the word "or" at the end of subparagraph (ii) and by replacing subparagraph (iii) by the following:**

(iii) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of tangible personal property that is specified property acquired or imported by the registrant for the purpose

of supply by way of sale and is deemed under subsection 177(1.2) of the Act to have been supplied by an auctioneer acting as agent for the registrant, or

(iv) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of tangible personal property that is deemed under paragraph 180(e) of the Act to have been acquired by the registrant and under subsection 177(1) or (1.2) of the Act to have been supplied by the registrant,

**(4) The formula in subsection 17(1) of the Regulations, as enacted by subsection (2), and the portion of that subsection following the formula, as amended by subsection (3), are replaced by the following:**

$$A + B - C - (1\% \times D)$$

where

A is the total of all amounts each of which is determined, in respect of all the particular supplies to which the same quick-method rate applies, by the formula

$$E \times F$$

where

E is the quick-method rate of the registrant for the particular reporting period that applies to the particular supplies, and

F is the portion of the net specified supplies of the registrant for the particular reporting period attributable to the particular supplies;

B is the total of

(a) all amounts that became collectible and all other amounts collected by the registrant in the particular reporting period as or on account of tax under Division II in respect of

(i) supplies (other than specified supplies) made by the registrant, and

(ii) supplies made on behalf of another person for whom the registrant acts as agent and in respect of which the registrant has made an election under subsection 177(1.1) of the Act,

(b) all amounts in respect of supplies (other than specified supplies) made by the registrant that are required under Division V to be added in determining the net tax for the particular reporting period, and

(c) the amount that is required under subsection 238.1(4) of the Act to be added in determining the net tax for the particular reporting period;

C is the total of all amounts each of which is

(a) an input tax credit

(i) for the particular reporting period or a preceding reporting period of the registrant in respect of property (other than specified property) acquired, imported or brought into a participating province by the registrant or an improvement thereto,

(ii) for a reporting period of the registrant ending before the election became effective in respect of specified property or services (other than an improvement to property that is not specified property) acquired, imported or brought into a participating province by the registrant,

(iii) for the particular reporting period or a preceding reporting period of the registrant in respect of tangible personal property that is specified property acquired, imported or brought into a participating province by the registrant for the purpose of supply by way of sale and is deemed under subsection 177(1.2) of the Act to have been supplied by an auctioneer acting as agent for the registrant, or

(iv) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of tangible personal property that is deemed under paragraph 180(e) of the Act to have been acquired by the registrant and under subsection 177(1) or (1.2) of the Act to have been supplied by the registrant,

that is claimed in the return filed under Division V by the registrant for the particular reporting period,

(b) an amount in respect of a supply (other than a specified supply) made by the registrant that may be deducted by the registrant under Division V in determining the net tax for the particular reporting period and that is claimed in the return filed



under Division V by the registrant for the particular reporting period, or

(c) an amount equal to 2.1% of the portion of the registrant's net specified supplies for the particular reporting period that is attributable to supplies to which the quick-method rate of 0% applies; and

D is

(a) where the election was not in effect

(i) if the registrant became a registrant on a day in the registrant's fiscal year that includes the particular reporting period, on that day, or

(ii) in any other case, on the first day of that fiscal year,

nil,

(b) where the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year during which the registrant was a registrant that end before the particular reporting period is equal to or greater than \$30,000, nil, and

(c) in any other case,

(i) where the particular reporting period is the first reporting period in that fiscal year during which the registrant was a registrant, the lesser of the net specified supplies of the registrant for the particular reporting period and \$30,000, and

(ii) where the particular reporting period is not the first reporting period in that fiscal year during which the registrant was a registrant, the lesser of

(A) the net specified supplies of the registrant for the particular reporting period, and

(B) the amount by which \$30,000 exceeds the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year during which the registrant was a registrant that end before the particular reporting period.

**7. The heading before section 18 of the Regulations is replaced by the following:**

Rules for New Registrants

**8. (1) Subsection 18(1) of the Regulations is amended by adding the word "and" at the end of paragraph (a) and by repealing paragraphs (c) and (d).**

**(2) Subsections 18(2) to (4) of the Regulations are repealed.**

**9. (1) The definition "specified supply" in subsection 19(1) of the Regulations is amended by striking out the word "and" at the end of paragraph (c) and by replacing paragraph (d) with the following:**

(d) a supply deemed under subsection 172(2), section 175.1 or subsection 183(5) or (6) of the Act to have been made by the registrant or a supply by the registrant to which subsection 173(1) of the Act applies,

(e) a zero-rated supply,

(f) a supply made outside Canada, and

(g) a supply in respect of which the recipient is not required to pay tax because of an Act of Parliament unless, in the case of a supply to Her Majesty in right of a province, Her Majesty in right of that province has agreed, under an agreement with Her Majesty in right of Canada, to pay the tax under Part IX of the Act in respect of the supply. (*fourniture déterminée*)

**(2) The definition "specified supply" in subsection 19(1) of the Regulations, as amended by subsection (1), is amended by striking out the word "and" at the end of paragraph (f), by adding the word "and" at the end of paragraph (g) and by adding the following after paragraph (g):**

(h) a supply deemed under subsection 177(1) or (1.2) of the Act to have been made by a registrant acting as an agent for another person. (*fourniture déterminée*)

**(3) Subsection 19(1) of the Regulations is amended by adding the following in alphabetical order:**

"retail establishment" of a registrant means a shop or store of the registrant at which the registrant primarily carries on the business of making supplies of property or services to consumers attending at the shop or store; (*établissement de détail*)

"specified facility operator" means a non-profit organization that operates, otherwise than for profit, a health care facility within the meaning of paragraph (c) of the definition of that expression in section 1 of Part II of Schedule V to the Act; (*exploitant d'établissement déterminé*)

**(4) Subsection 19(2) of the Regulations is replaced by the following:**

(2) For the purposes of this Part, the expressions "municipality", "qualifying non-profit organization" and "selected public service body" have the meanings assigned by section 259 of the Act.

**(5) The portion of subsection 19(3) of the Regulations before paragraph (c) is replaced by the following:**

(3) Subject to this Part, the special quick-method rate of a registrant that applies, for a reporting period in a particular fiscal year of the registrant, in respect of a particular supply made by the registrant is

(a) in the case of a registrant that makes the particular supply in the course of an activity engaged in by the registrant acting in the registrant's capacity as a specified facility operator or qualifying non-profit organization and not as a selected public service body,

(i) where the registrant makes the particular supply through a permanent establishment of the registrant in Nova Scotia, New Brunswick or Newfoundland,

(A) 10%, if the particular supply is made in a participating province, and

(B) 3.2%, if the particular supply is made in a non-participating province, and

(ii) where subparagraph (i) does not apply,

(A) 11.6%, if the particular supply is made in a participating province, and

(B) 5%, if the particular supply is made in a non-participating province;

(b) in the case of a registrant that makes the particular supply in the course of an activity engaged in by the registrant acting in the registrant's capacity as a school authority,

(i) where the registrant makes the particular supply through a permanent establishment of the registrant in Nova Scotia,

(A) 12%, if the particular supply is made in a participating province, and

(B) 5.4%, if the particular supply is made in a non-participating province,

(ii) where the registrant makes the particular supply through a permanent establishment of the registrant in New Brunswick or Newfoundland,

(A) 10.7%, if the particular supply is made in a participating province, and

(B) 4.1%, if the particular supply is made in a non-participating province, and

(iii) where neither subparagraphs (i) nor (ii) apply,

(A) 12.5%, if the particular supply is made in a participating province, and

(B) 6%, if the particular supply is made in a non-participating province;

**(6) The portion of paragraph 19(3)(c) of the Regulations before the formula is replaced by the following:**

(c) in the case of a registrant that makes the particular supply in the course of an activity engaged in by the registrant in the registrant's capacity as a university or public college,

(i) where supplies made in the ordinary course of business through vending machines operated by the registrant and retail establishments of the registrant (other than a restaurant, cafeteria, pub or similar establishment) at which the registrant primarily makes supplies of tangible personal property account for at least 25% of the amount determined by the formula

**(7) The description of B in subparagraph 19(3)(c)(i) of the Regulations is replaced by the following:**

B is the total of all tax under Division II that became collectible in the fiscal year of the registrant immediately preceding the particular fiscal year in respect of taxable supplies (other than supplies by way of sale of real



property or specified property of the registrant) made by the registrant, and

**(8) Subparagraph 19(3)(c)(ii) of the Regulations is replaced by the following:**

(A) where the registrant is in Nova Scotia,

(I) 11.2%, if the particular supply is made in a participating province, and

(II) 4.5%, if the particular supply is made in a non-participating province,

(B) where the registrant is in New Brunswick or Newfoundland,

(I) 9.1%, if the particular supply is made in a participating province, and

(II) 2.3%, if the particular supply is made in a non-participating province, and

(C) where the registrant is in a non-participating province,

(I) 12.2%, if the particular supply is made in a participating province, and

(II) 5.6%, if the particular supply is made in a non-participating province, and

(ii) where subparagraph (i) does not apply,

(A) where the registrant is in Nova Scotia,

(I) 12%, if the particular supply is made in a participating province, and

(II) 5.4%, if the particular supply is made in a non-participating province,

(B) where the registrant is in New Brunswick or Newfoundland,

(I) 10.8%, if the particular supply is made in a participating province, and

(II) 4.1%, if the particular supply is made in a non-participating province, and

(C) where the registrant is in a non-participating province,

(I) 12.5%, if the particular supply is made in a participating province, and

(II) 6%, if the particular supply is made in a non-participating province;

**(9) Paragraphs 19(3)(d) and (e) of the Regulations are replaced by the following:**

(d) in the case of a registrant that makes the particular supply in the course of an activity engaged in by the registrant acting in the registrant's capacity as a hospital authority,

(i) where the registrant is in Nova Scotia,

(A) 12.4%, if the particular supply is made in a participating province, and

(B) 5.8%, if the particular supply is made in a non-participating province,

(ii) where the registrant is in New Brunswick or Newfoundland,

(A) 10.6%, if the particular supply is made in a participating province, and

(B) 3.9%, if the particular supply is made in a non-participating province, and

(iii) where neither subparagraphs (i) nor (ii) apply,

(A) 12.7%, if the particular supply is made in a participating province, and

(B) 6.2%, if the particular supply is made in a non-participating province; and

(e) in the case of a registrant that makes the particular supply in the course of an activity engaged in by the registrant acting in the registrant's capacity as a municipality,

(i) where the registrant is in Nova Scotia or New Brunswick,

(A) 11.6%, if the particular supply is made in a participating province, and

(B) 5%, if the particular supply is made in a non-participating province,

(ii) where the registrant is in Newfoundland,

(A) 10.5%, if the particular supply is made in a participating province, and

(B) 3.8%, if the particular supply is made in a non-participating province, and

(iii) where neither subparagraphs (i) nor (ii) apply,

(A) 12.4%, if the supply is made in a participating province, and

(B) 5.8%, if the supply is made in a non-participating province.

(4) For the purpose of determining under subsection (3) the special quick-method rate applicable to a supply in respect of which the supplier is entitled to a deduction under subsection 234(3) of the Act,

(a) the supply is deemed to have been made in a non-participating province; and

(b) the supplier is deemed

(i) in the case of a selected public service body, to be situated in a non-participating province, or

(ii) in the case of a specified facility operator, or a qualifying non-profit organization, that is not a selected public service body, to have made the supply through a permanent establishment of the supplier in a non-participating province.

(5) For the purpose of determining under subsection (3) the special quick-method rate of a registrant for a reporting period,

(a) in the case of a specified facility operator, or qualifying non-profit organization, that is not a selected public service body, the registrant may

(i) where substantially all of the supplies (other than specified supplies) made in the reporting period by the registrant through

a permanent establishment of the registrant are made in participating provinces, treat all of the supplies made by the registrant in the reporting period through that establishment as having been made in a participating province, and

(ii) where substantially all of the supplies (other than specified supplies) made in the reporting period by the registrant through a permanent establishment of the registrant are made in non-participating provinces, treat all of the supplies made by the registrant in the reporting period through that establishment as having been made in a non-participating province; and

(b) in the case of a selected public service body, the registrant may

(i) where substantially all of the supplies (other than specified supplies) made by the registrant in the reporting period are made in participating provinces, treat all of the supplies made by the registrant in the reporting period as having been made in a participating province, and

(ii) where substantially all of the supplies (other than specified supplies) made by the registrant in the reporting period are made in non-participating provinces, treat all of the supplies made by the registrant in the reporting period as having been made in a non-participating province.

**10. (1) Subsection 20(1) of the Regulations is replaced by the following:**

**20. (1)** Subject to section 23, a registrant (other than a listed financial institution and a prescribed registrant for the purposes of subsection 188(5) of the Act) that is, on the first day of a reporting period of the registrant, a charity, qualifying non-profit organization or selected public service body is a registrant who may file an election, to take effect on that day, to determine the net tax of the registrant in accordance with this Part where an election by the registrant did not cease to have effect in the 365-day period ending immediately before that day because of a revocation of the election.

**(2) Subsection 20(1) of the Regulations, as enacted by subsection (1), is replaced by the following:**

**20. (1)** A registrant (other than a listed financial institution and a prescribed registrant for the purposes of subsection 188(5) of the Act) that is, on the first day of a reporting period of the registrant, a specified facility operator, qualifying non-profit organization or selected public service body is a registrant who may file an election, to take effect on that day, to determine the net tax of the registrant in accordance with



this Part where an election by the registrant did not cease to have effect in the 365-day period ending immediately before that day because of a revocation of the election.

**(3) The portion of subsection 20(2) of the Regulations before paragraph (a) is replaced by the following:**

(2) A registrant that is a non-profit organization (other than a selected public service body and a specified facility operator) that has filed an election to determine the net tax of the registrant in accordance with this Part ceases to be a registrant who may so determine that net tax immediately before the beginning of any fiscal year of the registrant in which the registrant is not a qualifying non-profit organization

**11. (1) The portion of subsection 21(1) of the Regulations before the first formula is replaced by the following:**

21. (1) Subject to subsections (2) and 21.3(1), where an election by a registrant to determine the net tax of the registrant in accordance with this Part is in effect during a particular reporting period of the registrant, the net tax of the registrant for the particular reporting period is equal to the positive or negative amount determined by the formula

**(2) Paragraphs (a) and (b) of the description of E in subsection 21(1) of the Regulations are replaced by the following:**

(a) all consideration for taxable supplies (other than designated supplies, supplies of financial services, specified supplies and supplies deemed under section 181.1 or subsection 200(2) of the Act to have been made) made in Canada by the registrant in the course of the particular activity that became due, or was paid without having become due, to the registrant in the particular reporting period, and

(b) all amounts that became collectible, and all other amounts collected, by the registrant in the particular reporting period as or on account of tax under Division II in respect of taxable supplies (other than specified supplies and supplies deemed under section 181.1 or subsection 200(2) of the Act to have been made) made by the registrant in the course of the particular activity, and

**(3) The description of A in subsection 21(1) of the Regulations, as amended by subsection (2), is replaced by the following:**

A is the total of all amounts each of which is determined, in respect of all the particular supplies to which the same special quick-method rate applies, by the formula

$$D \times (E - F)$$

where

D is the special quick-method rate of the registrant for the particular reporting period that applies to the particular supplies,

E is the total of

(a) all consideration that became due, or was paid without becoming due, to the registrant in the particular reporting period for the particular supplies that are taxable supplies (other than designated supplies, supplies of financial services, specified supplies and supplies deemed under section 181.1 or subsection 200(2) of the Act to have been made) made in Canada by the registrant, and

(b) all amounts that became collectible, and all other amounts collected, by the registrant in the particular reporting period as or on account of tax under Division II in respect of the particular supplies that are taxable supplies (other than specified supplies and supplies deemed under section 181.1 or subsection 200(2) of the Act to have been made) made by the registrant, and

F is the total of all amounts each of which is an amount that the registrant has, in the particular reporting period, paid or credited to a person as or on account of

(a) a reduction in, or a rebate or refund of, all or part of the consideration for a particular supply (other than a designated supply or a specified supply) made in Canada by the registrant, or

(b) a refund of, or a credit for, tax under Division II charged to or collected from the person in respect of a particular supply (other than a specified supply);

**(4) Paragraph (a) of the description of B in subsection 21(1) of the Regulations is replaced by the following:**

(a) all amounts each of which is an amount that became collectible, or was collected, by the registrant in the particular reporting period as or on account of tax under Division II in respect of

(i) specified supplies made by the registrant, or

(ii) supplies made on behalf of another person for whom the registrant acts as agent and in respect of which the registrant has made an election under subsection 177(1.1) of the Act,

**(5) The description of B in subsection 21(1) of the Regulations is amended by adding the following after paragraph (b) and by adding the word "and" at the end of paragraph (c):**

(b.1) the amount required under subsection 238.1(4) of the Act to be added in determining the net tax for the particular reporting period,

**(6) Subparagraphs (a)(i) to (iii) of the description of C in subsection 21(1) of the Regulations are replaced by the following:**

(i) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of real property acquired by way of purchase by the registrant or an improvement thereto,

(ii) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of a supply by way of sale to, importation by, or bringing into a participating province by, the registrant of personal property that was acquired, imported or brought into the participating province by the registrant for use as specified property and the fair market value of which at the time of the supply or bringing into the province, or the value of which determined under section 215 of the Act at the time of the importation, as the case may be, is at least \$10,000,

(iii) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of an improvement to a specified property (other than real property) of the registrant, where the registrant has claimed, or is entitled to claim, an input tax credit in respect of the last supply to, or importation by, the registrant of the specified property,

**(7) Paragraph (a) of the description of C in subsection 21(1) of the Regulations, as amended by subsection (6), is amended by striking out the word "or" at the end of subparagraph (iv) and by replacing subparagraph (v) by the following:**

(v) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of tangible personal property (other than property referred to in subparagraph (ii)) that is acquired, imported or brought into a participating province for supply by way of sale and is deemed

under subsection 177(1.2) of the Act to have been supplied by an auctioneer acting as agent for the registrant, or

(vi) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of tangible personal property that is deemed under paragraph 180(e) of the Act to have been acquired by the registrant and under subsection 177(1) or (1.2) of the Act to have been supplied by the registrant,

**(8) The portion of subsection 21(2) of the Regulations before the formula is replaced by the following:**

(2) Subject to subsection 21.3(1), where a registrant carries on the business of supplying telephone services, electricity or natural gas in a separate division or department of the registrant and an election by the registrant to determine the net tax of the registrant in accordance with this Part is in effect during a particular reporting period of the registrant, the net tax of the registrant for the particular reporting period is equal to the positive or negative amount determined by the formula

**(9) The descriptions of A and B in subsection 21(2) of the Regulations are replaced by the following:**

A is the amount that would be the net tax of the registrant for the particular reporting period determined under subsection (1) if the registrant did not carry on the business and all property and services acquired, imported or brought into a participating province by the registrant otherwise than primarily for consumption, use or supply in the course of carrying on the business were the only property and services acquired, imported or brought by the registrant; and

B is the amount that would be the net tax of the registrant for the particular reporting period determined in accordance with section 225 of the Act if the business were the only activity engaged in by the registrant and the property and services acquired, imported or brought into a participating province by the registrant primarily for consumption, use or supply in the course of the business were the only property and services acquired, imported or brought by the registrant.

**12. The Regulations are amended by adding the following after Part V:**



## PART V.1

*STREAMLINED INPUT TAX CREDIT METHOD**Interpretation*

**21.1** (1) For the purposes of this Part, the threshold amount for a fiscal year of a registrant is equal to the total of

(a) the amount determined by the formula

$$A \times 365/B$$

where

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the registrant) made by the registrant that became due, or was paid without having become due, to the registrant in the immediately preceding fiscal year (in this subsection referred to as the "base year") of the registrant, and

B is the number of days in the base year; and

(b) the total of all amounts each of which is an amount in respect of a person (in this paragraph referred to as the "associate") who was associated with the registrant at the end of the particular fiscal year of the associate that is the last fiscal year of the associate ending in the base year determined by the formula

$$C \times 365/D$$

where

C is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the associate) made by the associate that became due, or was paid without having become due, to the associate in the particular fiscal year, and

D is the number of days in the particular fiscal year.

(2) For the purposes of this Part, the threshold amount for a particular fiscal quarter in a particular fiscal year of a registrant is equal to the total of

(a) the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the registrant) made by the registrant that became due, or was paid without having become due, to the registrant in the preceding fiscal quarters in the particular fiscal year; and

(b) the total of all amounts each of which is an amount in respect of a person (in this paragraph referred to as the "associate") who was associated with the registrant at the beginning of the particular fiscal quarter equal to the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the associate) made by the associate that became due, or was paid without having become due, to the associate in the fiscal quarters of the associate that end in the particular fiscal year of the registrant before the beginning of the particular fiscal quarter of the registrant.

(3) For the purposes of this Part, the purchase threshold for a fiscal year of a registrant is equal to the total of all amounts each of which

(a) is an amount that became due, or was paid without having become due, by the registrant in the immediately preceding fiscal year for a taxable supply, other than a zero-rated supply, of property or a service that was acquired in Canada by the registrant or was acquired outside Canada by the registrant and imported by the registrant; and

(b) is either

(i) included in determining the cost to the registrant of the property or service for the purposes of the *Income Tax Act*, or

(ii) tax payable by the registrant in respect of the acquisition or importation of the property or service.

(4) For the purposes of this Part, the purchase threshold of a registrant for a particular day is equal to the total of all amounts each of which

(a) is an amount that became due, or was paid without having become due, by the registrant

(i) on or before the particular day, and

(ii) in the fiscal year of the registrant that includes the particular day,

for a taxable supply, other than a zero-rated supply, of property or a service that was acquired in Canada by the registrant or was acquired outside Canada by the registrant and imported by the registrant; and

(b) is either

(i) included in determining the cost to the registrant of the property or service for the purposes of the *Income Tax Act*, or

(ii) tax payable by the registrant in respect of the acquisition or importation of the property or service.

(5) For the purposes of this Part, where consideration for a supply of property or a service is deemed by section 152 of the Act to become due on any day and an amount of a tax, duty or fee that

(a) is prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST/HST) Regulations*,

(b) is imposed in respect of the property or service, and

(c) is calculated on that consideration,

has not become due on or before that day, that amount of the tax, duty or fee is deemed to have become due on that day.

### *Prescribed Registrants*

**21.2** (1) A registrant is a prescribed registrant who may make an election, to take effect on the first day of a reporting period of the registrant, to determine the net tax of the registrant in accordance with this Part where

(a) the threshold amount for the fiscal year of the registrant that includes the reporting period does not exceed \$500,000;

(b) if the fiscal quarter of the registrant that includes the reporting period is not the first fiscal quarter in the fiscal year, the threshold amount for the fiscal quarter does not exceed \$500,000;

(c) the purchase threshold for the fiscal year does not exceed \$2,000,000;

(d) if the registrant is a public service body, it is reasonable to expect at the beginning of the reporting period that the purchase threshold for the registrant's next fiscal year will not exceed \$2,000,000; and

(e) the registrant is not a person described in paragraph 149(1)(a) of the Act at the beginning of the reporting period.

(2) A registrant who has elected to determine the net tax of the registrant in accordance with this Part ceases to be a registrant who may so determine that net tax at the earliest of

(a) where the threshold amount for the second or third fiscal quarter in a fiscal year of the registrant exceeds \$500,000, the end of the first fiscal quarter in that fiscal year for which the threshold amount exceeds \$500,000;

(b) where the threshold amount for a fiscal year of the registrant exceeds \$500,000, the end of the first fiscal quarter in that fiscal year;

(c) where the registrant is not a public service body and the purchase threshold of the registrant for a particular day exceeds \$2,000,000, the end of the immediately preceding day;

(d) where the registrant is a public service body and the purchase threshold for a fiscal year of the registrant exceeds \$2,000,000, the end of the first fiscal quarter in that fiscal year; and

(e) where the registrant becomes a person described in paragraph 149(1)(a) of the Act during a fiscal quarter of the registrant, the end of that fiscal quarter.

### *Calculation of Net Tax*

**21.3** (1) Where an election by a registrant to determine the net tax of the registrant in accordance with this Part is in effect during a reporting period of the registrant, the net tax of the registrant for the reporting period is, subject to this Part, the positive or negative amount of net tax for the reporting period determined in accordance with

(a) where the registrant has filed an election to determine the net tax of the registrant in accordance with Part IV that is in effect during the reporting period, Part IV;



(b) where the registrant has filed an election to determine the net tax of the registrant in accordance with Part V that is in effect during the reporting period, Part V; and

(c) in any other case, subsection 225(1) of the Act.

(2) Where personal property or a service is supplied in Canada to a registrant by another person, or tangible personal property is supplied outside Canada to a registrant by another person and imported by the registrant, and the registrant is entitled to claim an input tax credit in respect of the property or service for any reporting period of the registrant, for the purposes of determining

(a) an input tax credit of the registrant in respect of the property or service for a particular reporting period of the registrant, and

(b) an amount that is required by subsection 235(1) of the Act to be added in determining the net tax of the registrant for any reporting period,

for the purposes of this Part, the amount of tax under Division II or III, as the case may be, that became payable, or was paid without having become payable, by the registrant during the particular reporting period in respect of the supply or importation of the property or service is deemed to be equal to the amount determined by the formula

$$A \times B$$

where

A is the amount determined by the formula

$$C/D$$

where

C is

(i) where tax under subsection 165(2) or section 212.1 of the Act was payable in respect of the supply or importation, the total of 7% and the tax rate of the participating province that applied in respect of the supply or importation, and

(ii) in any other case, 7%, and

D is the total of 100% and the percentage determined for C, and

B is the total of all amounts each of which is

(a) the consideration that became due, or was paid without having become due, by the registrant during the period in respect of the supply of the property or service to the registrant,

(b) the tax under Division II or III that became payable, or was paid without having become payable, by the registrant during the period in respect of the supply or importation of the property or service,

(c) in the case of tangible personal property that was imported by the registrant, the amount of a tax or duty imposed in respect of the property under the Act (other than Part IX thereof), the *Customs Act*, the *Special Import Measures Act*, or any other law relating to customs that became due, or was paid without having become due, by the registrant during the period,

(d) the amount of a tax, duty or fee prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST/HST) Regulations* that became due, or was paid without having become due, by the registrant during the period in respect of the property or service, other than tax imposed under an Act of a legislature of a province to the extent that the tax is recoverable by the registrant under that Act,

(e) a reasonable gratuity paid by the registrant during the period in connection with the supply, or

(f) interest, a penalty or other amount paid by the registrant during the period where the amount was charged to the registrant by the supplier because an amount of consideration, or an amount of a tax, duty or fee referred to in paragraph (c) or (d), that was payable in respect of the supply or importation was overdue.

(3) Subsection (2) does not apply to a passenger vehicle or aircraft acquired or imported by a registrant who is an individual or a partnership for use as capital property of the registrant otherwise than exclusively in commercial activities of the registrant.

(4) For the purposes of this Part, where paragraph 13(7)(g) or (h) of the *Income Tax Act* deems an amount to be the capital cost to a registrant of a passenger vehicle for the purposes of section 13 of that Act, the amount, if any, by which

(a) the total of all amounts each of which is an amount of tax that is deemed by subsection (2) to have become payable, or to have been paid without having become payable, by the registrant in respect of the acquisition or importation of the vehicle or the acquisition or importation of an improvement thereto,

exceeds

(b) the amount determined by the formula

$$A \times B$$

where

A is the amount determined by the formula

$$C/D$$

where

C is

(i) where tax under subsection 165(2) or section 212.1 of the Act was payable in respect of the acquisition or importation, the total of 7% and the tax rate of the participating province that applied in respect of the acquisition or importation, and

(ii) in any other case, 7%, and

D is the total of 100% and the percentage determined for C, and

B is the amount deemed by paragraph 13(7)(g) or (h) of the *Income Tax Act* to be the capital cost to the registrant of the vehicle for the purposes of section 13 of that Act,

shall not be included in determining an input tax credit of the registrant for any reporting period of the registrant.

(5) For the purpose of determining, in accordance with this Part, an input tax credit of a partnership, employer, charity or public institution that pays an amount as a reimbursement in respect of property or a service acquired or imported by a member of the partnership, an employee of the employer or a volunteer who has given services to the charity or public institution and in respect of which the member, employee or volunteer was liable to pay tax under Division II or III, the amount of that tax is deemed, for the purpose of applying section 175 of the Act, to be equal to the amount that would be determined under subsection (2) if that subsection applied to the acquisition or importation by the member, employee or volunteer.

**21.4** (1) An amount shall not be included in determining the value of B in subsection 21.3(2) in respect of a reporting period of a registrant

during which an election to determine the net tax of the registrant in accordance with this Part is in effect where the amount became payable, or was paid without having become payable, by the registrant while the election was not in effect.

(2) Where an election to determine the net tax of a registrant in accordance with this Part ceases to have effect during a reporting period of the registrant and tax under Division II or III becomes payable or is paid without having become payable by the registrant, after the election ceases to have effect but during the period, in respect of a supply or importation of property or a service, for the purposes referred to in paragraphs 21.3(2)(a) or (b), the amount of tax that became payable or was paid without having become payable by the registrant during the period in respect of that supply or importation is, notwithstanding subsection 21.3(2), deemed to be equal to the total of

(a) the amount that would, but for this subsection, be determined under subsection 21.3(2) in respect of that supply or importation; and

(b) the tax under Division II or III that became payable or was paid without having become payable by the registrant, after the election ceased to have effect but during the period, in respect of that supply or importation.

### *Prescribed Part*

**21.5** This Part is a prescribed Part for the purposes of subsection 227(4.2) of the Act.

**13. (1) Subsection 23(1) of the Regulations is replaced by the following:**

**23. (1)** Subject to subsection (2),

(a) where at any time an election by a registrant to determine the net tax for reporting periods of the registrant in accordance with any of Parts I to III is in effect, the registrant is not at that time a registrant who may elect to determine the net tax of the registrant in accordance with any other Part of these Regulations;

(b) where at any time an election by a registrant to determine the net tax for reporting periods of the registrant in accordance with Part IV or V is in effect, the registrant is not at that time a registrant who may elect to determine the net tax of the registrant in accordance with any other Part of these Regulations other than Part V.1; and

(c) where at any time an election by a registrant to determine the net tax for reporting periods of the registrant in accordance with Part V.1



is in effect, the registrant is not at that time a registrant who may elect to determine the net tax of the registrant in accordance with any of Parts I to III.

**(2) Section 23 of the Regulations, as amended by subsection (1), is repealed.**

**14. (1) Subsections 24(1) and (2) of the Regulations are replaced by the following:**

**24. (1)** Subsections 225(2) to (3.1) of the Act apply, with such modifications as the circumstances require, for the purpose of determining the net tax for a reporting period of a registrant in accordance with any Part of these Regulations.

(2) For the purposes of these Regulations, where, under subsection 168(3), (6) or (7) of the Act, tax under Division II in respect of a supply of property or a service becomes payable by a registrant on a particular day,

(a) the consideration on which that tax is calculated, and

(b) any tax, duty or fee prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST/HST) Regulations* that is payable by the registrant in respect of the property or service and has not become due on or before that day,

is deemed to have become due on that day.

**(2) Paragraph 24(3)(c) of the Regulations is replaced by the following:**

(c) where consideration, or a part thereof, for a taxable supply (other than a supply by way of sale of real property) made by a supplier in the course of activities engaged in by the supplier in a branch or division of the supplier becomes due, or is paid without having become due, to the supplier at a time when the branch or division is a small supplier division (within the meaning of subsection 129(1) of the Act), that consideration or part thereof, as the case may be, is deemed not to be consideration for a taxable supply.

**(3) Subsection 24(3) of the Regulations is amended by striking out the word "and" at the end of paragraph (b), by adding the word "and" at the end of paragraph (c) and by adding the following:**

(d) where property or a service is acquired by a person for consumption, use or supply in the course of activities engaged in by

the person in a branch or division of the person and, at a time when the branch or division is a small supplier division (within the meaning of subsection 129(1) of the Act), an amount becomes due, or is paid without having become due, by the person for the supply of the property or service to the person, the amount shall not be included in determining the purchase threshold under subsection 21.1(3) for any fiscal year of the person.

**(4) Subsection 24(4) of the Regulations is replaced by the following:**

(4) For the purpose of determining any amount in accordance with Part IV of these Regulations, other than an amount of net tax that is required by these Regulations to be determined in accordance with subsection 225(1) of the Act, where at any time a registrant, who has filed an election that is in effect at that time, makes a taxable supply of property or a service to a person with whom the registrant is not dealing at arm's length for no consideration or for consideration less than the fair market value of the property or service at that time, the supply is deemed to have been made for consideration, paid at that time, equal to that fair market value and tax calculated on that consideration is deemed to have become collectible, and to have been collected, at that time.

#### APPLICATION

**15. (1) Section 1 and subsection 2(2) are deemed to have come into force on April 1, 1997.**

(2) The repeal of the definitions "basic groceries", "medical device", "prescription drug" and "retail establishment" in subsection 2(1) of the Regulations, as enacted by subsection 2(1), section 3, subsections 4(4), 5(1) and 10(2), the definition "retail establishment" in subsection 19(1) of the Regulations, as enacted by subsection 9(3), and subsections 13(2) and 14(4) apply for the purpose of determining the net tax of a registrant for reporting periods

(a) beginning after 1994 where the registrant's election to determine net tax in accordance with any of Parts I to III of the Regulations was in effect on June 1, 1993, and

(b) beginning after June 1, 1993 in any other case

except that, for reporting periods beginning before 1997, the reference to "a specified facility operator" in subsection 20(1) of the Regulations, as enacted by subsection 10(2), shall be read as a reference to "a charity".

(3) The repeal of the definition "improvement" in subsection 2(1) of the Regulations, as enacted by subsection 2(1), is deemed to have come into force on April 24, 1996.

(4) Subsection 2(3) is deemed to have come into force on March 1, 1994.

(5) Subsection 2(4) applies to consideration that becomes due after June 30, 1997 or is paid after that day without having become due.

(6) Subsection 2(6) applies for the purpose of determining the basic threshold amount used in determining the quick-method rate that applies to supplies made after ANNOUNCEMENT DATE.

(7) Subsections 2(5), (7) and (8), 6(1) and 11(1) and (8), sections 21.1 to 21.4 of the Regulations, as enacted by section 12, and subsections 13(1) and 14(1) and (3) apply for the purpose of determining the net tax of a registrant for reporting periods that are fiscal years ending after 1992 or fiscal months or fiscal quarters ending after February 1993 except that

(a) before April 1, 1997, the reference to "(GST/HST)" in paragraph 21.1(5)(a) of the Regulations, as enacted by section 12, in paragraph (d) of the description of B in subsection 21.3(2) of the Regulations, as enacted by section 12, and in paragraph 24(2)(b) of the Regulations, as enacted by subsection 14(1), shall be read as a reference to "(GST)";

(b) with respect to reporting periods of a registrant beginning

(i) before 1995, in the case of a registrant whose election to determine net tax in accordance with any of Parts I to III of the Regulations was in effect on June 1, 1993, and

(ii) on or before June 1, 1993, in the case of any other registrant,

the portion of subsection 21.2(1) of the Regulations before paragraph (a), as enacted by section 12, shall be read as follows:

**21.2** (1) Subject to section 23, a registrant is a prescribed registrant who may make an election, to take effect on the first day of a reporting period of the registrant, to determine the net tax of the registrant in accordance with this Part where

(c) paragraphs 21.2(1)(c) and (d) and (2)(c) and (d) of the Regulations, as enacted by section 12, do not apply to fiscal years beginning before July 1993;

(d) the description of A in subsection 21.3(2) of the Regulations, as enacted by section 12, shall, before April 1997, be read as follows:

A is the tax fraction; and

(e) the description of A in subsection 21.3(4) of the Regulations, as enacted by section 12, shall, before April 1997, be read as follows:

A is the tax fraction, and;

(f) in applying subsection 21.3(5) of the Regulations, as enacted by section 12, before 1997, it shall be read as if no reference were made to a public institution; and

(g) the reference in subsection 24(1) of the Regulations, as enacted by subsection 14(1), to "Subsections 225(2) to (3.1)" shall, before April 23, 1996, be read as a reference to "Subsections 225(2) and (3)".

(8) Subsection 4(1) applies to property acquired, imported or brought into a participating province, as the case may be, after March 1997.

(9) Subsections 4(3) and 9(2) apply to supplies made after ANNOUNCEMENT DATE.

(10) Subsections 6(3) and 11(7) apply to input tax credits in respect of property the supply of which is deemed to be made by an agent under subsection 177(1) or (1.2) of the *Excise Tax Act*, as enacted by chapter 10 of the Statutes of Canada, 1997, except that, before April 1, 1997, subparagraph (a)(v) of the description of C in subsection 21(1) of the Regulations, as enacted by subsection 11(7), shall be read without reference to the bringing of property into a participating province.

(11) The definition "specified facility operator" in subsection 19(1) of the Regulations, as enacted by subsection 9(3), and subsections 9(4) and 10(3) apply for the purpose of determining the net tax of a registrant for reporting periods beginning after 1996.



(12) Paragraph (c) of the definition "specified supply" in subsection 15(1) of the Regulations, as enacted by subsection 4(2), paragraph (d) of the definition "specified supply" in subsection 19(1) of the Regulations, as enacted by subsection 9(1), and subsections 11(2) and 14(2) are deemed to have come into force on December 31, 1990 except that in their application to supplies deemed to have been made on or before April 23, 1996, paragraph (c) of the definition "specified supply" in subsection 15(1) of the Regulations, as enacted by subsection 4(2) and paragraph (d) of the definition "specified supply" in subsection 19(1) of the Regulations, as enacted by subsection 9(1), shall be read without reference to supplies deemed to have been made under section 175.1 of the *Excise Tax Act*.

(13) Paragraphs (b), (d) and (e) of the definition "specified supply" in subsection 15(1) of the Regulations, as enacted by subsection 4(2), subsections 4(5) and (7), paragraph 16(1)(b) of the Regulations, as enacted by subsection 5(2), subsections 5(3), 6(2) and 8(1) and the repeal of subsections 18(2) and (4) of the Regulations, as enacted by subsection 8(2), apply for the purpose of determining the net tax of a registrant for any reporting period beginning after

(a) June 1993 where the reporting period is a fiscal year of the registrant, and

(b) 1993 in any other case,

except that

(c) subsections 4(7) and 5(3) do not apply for the purpose of determining the net tax of a registrant

(i) for the first reporting period of the registrant beginning after June 1993 where the reporting period was a fiscal year of the registrant and the registrant's election to determine net tax in accordance with Part IV of the Regulations was in effect on June 1, 1993, and

(ii) for any reporting period beginning before 1995 where the reporting period of the registrant was not a fiscal year of the registrant and the registrant's election to determine net tax in accordance with Part IV of the Regulations was in effect in the last reporting period of the registrant beginning before 1994; and

(d) paragraph (c) of the description of C in subsection 17(1) of the Regulations, as enacted by subsection 6(2), applies for the

purpose of determining the net tax of a registrant for reporting periods beginning after March 1994.

(14) Subsections 4(6), 6(4), 9(5) to (9) and 11(3), (6) and (9) apply for the purpose of determining the net tax of a registrant for reporting periods ending on or after April 1, 1997 except that

(a) the quick-method rate of a registrant for the reporting period of the registrant that includes that day and applies in respect of a supply is, in respect of consideration for the supply that is paid or becomes due before that day, the rate that would be the quick-method rate of the registrant for that period if those subsections did not come into force;

(b) the special quick-method rate of a registrant for the reporting period of the registrant that includes that day and applies in respect of a supply is, in respect of consideration for the supply that is paid or becomes due before that day, the rate that would apply in respect of the supply if those subsections did not come into force;

(c) the quick-method rate of a registrant for a reporting period of the registrant that ends before or includes July 1, 1997 and applies in respect of a supply is, in respect of consideration for the supply that is paid or becomes due before July 1, 1997, the rate that would apply if subparagraph 15(5)(a) of the Regulations, as enacted by subsection 4(6), were read without reference to the words "and property in respect of the acquisition of which the registrant was not required to pay tax";

(d) for the purpose of determining the net tax of a registrant for any reporting period beginning on or before ANNOUNCEMENT DATE and ending on or after April 1, 1997,

(i) the reference in subparagraph 15(5)(b)(iii) of the Regulations, as enacted by subsection 4(6), to "3.2%" shall be read as a reference to "2.7%",

(ii) the reference in paragraph (c) of the description of C in subsection 17(1) of the Regulations, as enacted by subsection 6(4), to "2.1%" shall be read as a reference to "2.6%",

(iii) the reference in clause 19(3)(a)(i)(B) of the Regulations, as enacted by subsection 9(5), to "3.2%" shall be read as a reference to "2.7%",

(iv) the reference in clause 19(3)(b)(i)(B) of the Regulations, as enacted by subsection 9(5), to "5.4%" shall be read as a reference to "4.9%",

(v) the reference in clause 19(3)(b)(ii)(A) of the Regulations, as enacted by subsection 9(5), to "10.7%" shall be read as a reference to "10.4%",

(vi) the reference in clause 19(3)(b)(ii)(B) of the Regulations, as enacted by subsection 9(5), to "4.1%" shall be read as a reference to "2.4%",

(vii) the reference in subclause 19(3)(c)(i)(A)(II) of the Regulations, as enacted by subsection 9(8), to "4.5%" shall be read as a reference to "4%",

(viii) the reference in subclause 19(3)(c)(i)(B)(I) of the Regulations, as enacted by subsection 9(8), to "9.1%" shall be read as a reference to "8.8%",

(ix) the reference in subclause 19(3)(c)(i)(B)(II) of the Regulations, as enacted by subsection 9(8), to "2.3%" shall be read as a reference to "0.8%",

(x) the reference in subclause 19(3)(c)(ii)(A)(II) of the Regulations, as enacted by subsection 9(8), to "5.4%" shall be read as a reference to "4.9%",

(xi) the reference in subclause 19(3)(c)(ii)(B)(I) of the Regulations, as enacted by subsection 9(8), to "10.8%" shall be read as a reference to "10.5%",

(xii) the reference in subclause 19(3)(c)(ii)(B)(II) of the Regulations, as enacted by subsection 9(8), to "4.1%" shall be read as a reference to "2.5%",

(xiii) the reference in clause 19(3)(d)(i)(B) of the Regulations, as enacted by subsection 9(9), to "5.8%" shall be read as a reference to "5.3%",

(xiv) the reference in clause 19(3)(d)(ii)(A) of the Regulations, as enacted by subsection 9(9), to "10.6%" shall be read as a reference to "8.8%",

(xv) the reference in clause 19(3)(d)(ii)(B) of the Regulations, as enacted by subsection 9(9), to "3.9%" shall be read as a reference to "0.8%",



(xvi) the reference in clause 19(3)(e)(i)(B) of the Regulations, as enacted by subsection 9(9), to "5%" shall be read as a reference to "4.4%", and

(xvii) the reference in clause 19(3)(e)(ii)(B) of the Regulations, as enacted by subsection 9(9), to "3.8%" shall be read as a reference to "2.6%";

(e) for the purpose of determining the quick-method rate that applies to a supply made on or before ANNOUNCEMENT DATE, subsection 15(5.01) of the Regulations, as enacted by subsection 4(6), shall be read as follows:

(5.01) Notwithstanding subsection (5), the quick-method rate applicable to a supply in respect of which the supplier is entitled to a deduction under subsection 234(3) of the Act is 2.5%.

(f) subparagraph (a)(ii) of the description of B in the formula in subsection 17(1) of the Regulations, as enacted by subsection 6(4), applies only to supplies made after March 1997; and

(g) for the purpose of determining the net tax of a charity for reporting periods beginning before 1997, the portion of paragraph 19(3)(a) of the Regulations before subparagraph (i), as enacted by subsection 9(5), shall be read as follows:

(a) in the case of a registrant that engages in the particular activity acting in the registrant's capacity as a charity or qualifying non-profit organization and not as a selected public service body,

(15) Paragraph 16(1)(c) of the Regulations, as enacted by subsection 5(2), subsection 10(1) and section 21.5 of the Regulations, as enacted by section 12, are deemed to have come into force on March 1, 1993.

(16) Section 7 applies after 1993.

(17) The repeal of subsection 18(3) of the Regulations, as enacted by subsection 8(2), applies to fiscal quarters of a registrant

(a) in fiscal years of the registrant beginning after June 1993 where the reporting period of the registrant is a fiscal year; and

(b) beginning after 1993 in any other case.

(18) Paragraphs (e) to (g) of the definition "specified supply" in subsection 19(1) of the Regulations, as enacted by subsection 9(1), apply to reporting periods beginning after May 1993.



**(19) Subsection 11(4) applies to supplies made after March 1997.**

**(20) Subsection 11(5) applies for the purpose of determining the net tax of a registrant for reporting periods beginning after March 1994.**

# DRAFT REGULATIONS AMENDING THE TAXES, DUTIES AND FEES (GST) REGULATIONS

## AMENDMENTS

**1. Section 1 of the *Taxes, Duties and Fees (GST) Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Taxes, Duties and Fees (GST/HST) Regulations*.

**2. (1) The portion of the definition "general retail sales tax rate" in subsection 2(1) of the Regulations before paragraph (a) is replaced by the following:**

"general sales tax rate" of a province means the rate of tax set out in

**(2) Paragraph (a) of the definition "general sales tax rate" in subsection 2(1) of the Regulations, as amended by subsection (1), is replaced by the following:**

(a) subsection 2(1) of the *Retail Sales Tax Act*, R.S.O. 1990, c. R.31, in the case of the Province of Ontario,

**(3) Paragraph (b) of the definition "general sales tax rate" in subsection 2(1) of the Regulations, as amended by subsection (1), is replaced by the following:**

(b) the first paragraph of section 16 of *An Act respecting the Québec sales tax*, R.S.Q., c. T-0.1, in the case of the Province of Quebec,

**(4) Paragraph (c) of the definition "general sales tax rate" in subsection 2(1) of the Regulations, as amended by subsection (1), is replaced by the following:**

(c) paragraph 15(1)(b) of the *Revenue Act*, S.N.S. 1995-96, c. 17, in the case of the Province of Nova Scotia,

**(5) Paragraph (c) of the definition "general sales tax rate" in subsection 2(1) of the Regulations, as amended by subsections (1) and (4), and paragraph (d) of that definition are replaced by the following:**

(c) item 1 of Schedule VIII to the *Excise Tax Act*, in the case of the Province of Nova Scotia,

(d) item 2 of Schedule VIII to the *Excise Tax Act*, in the case of the Province of New Brunswick,

**(6) Paragraphs (e) and (f) of the definition "general sales tax rate" in subsection 2(1) of the Regulations, as amended by subsection (1), are replaced by the following:**

(e) subsection 2(1) of *The Retail Sales Tax Act*, C.C.S.M. c. R130, in the case of the Province of Manitoba,

(f) subsection 2(1) of the *Social Service Tax Act*, R.S.B.C. 1979, c. 388, in the case of the Province of British Columbia,

**(7) Paragraph (h) of the definition "general sales tax rate" in subsection 2(1) of the Regulations, as amended by subsection (1), is replaced by the following:**

(h) subsection 5(1) of *The Education and Health Tax Act*, R.S.S. 1978, c. E-3, in the case of the Province of Saskatchewan, and

**(8) Paragraph (i) of the definition "general sales tax rate" in subsection 2(1) of the Regulations, as amended by subsection (1), is replaced by the following:**

(i) item 3 of Schedule VIII to the *Excise Tax Act*, in the case of the Province of Newfoundland; (*taux général de la taxe de vente*)

**(9) Paragraph (b) of the definition "specified tax rate" in subsection 2(1) of the Regulations is replaced by the following:**

(b) the general sales tax rate of the province plus 4%. (*taux de taxe déterminé*)

**(10) Subsection 2(1) of the Regulations is amended by adding the following in alphabetical order:**

"tax" includes a duty and a fee. (*taxe*)

**(11) Subsection 2(2) of the French version of the Regulations is replaced by the following:**

(2) Pour l'application du présent règlement, les renvois à une loi de l'assemblée législative d'une province sont réputés se rapporter à sa version éventuellement modifiée.

**3. (1) The heading before section 3 of the Regulations and the portion of that section before subparagraph (a)(iii) are replaced by the following:**

*Prescribed Taxes*

**3.** The following taxes are prescribed for the purposes of section 154 of the *Excise Tax Act*:

(a) a tax in respect of a transfer of real property where that tax is imposed by or under any of the following, namely,

(i) the *Land Transfer Tax Act*, R.S.O. 1990 c. L-6,

(ii) the *Land Transfer Duties Act*, R.S.Q., c. D-17,

**(2) Paragraph 3(a) of the Regulations is amended by adding the following after subparagraph (ii):**

(ii.1) Part III.7 of the *Taxation Act*, R.S.Q., c. I-3,

**(3) Subparagraph 3(a)(iii) of the Regulations is replaced by the following:**

(iii) *An Act respecting duties on transfers of immovables*, R.S.Q., c. D-15.1,

**(4) Subparagraphs 3(a)(iv) to (viii) of the Regulations are repealed.**

**(5) Paragraph 3(a) of the Regulations is amended by adding the following after subparagraph (ix):**

(ix.1) Part VII of the *Halifax Regional Municipality Act*, S.N.S. 1995, c.3,

**(6) Subparagraphs 3(a)(xi) and (xii) of the Regulations are replaced by the following:**

(xi) Part III of *The Revenue Act*, C.C.S.M. c. R150,

(xii) the *Property Transfer Tax Act*, S.B.C. 1987, c.15,

**(7) Paragraph 3(a) of the Regulations is amended by deleting the word "and" at the end of subparagraph (xiv) and by replacing subparagraph (xv) with the following:**

(xv) the *Conditional Sales Act*, R.S.N. 1990, c. C-28,

(xvi) the *Registration of Deeds Act*, R.S.N. 1990, c. R-10, and

(xvii) *The St. John's Assessment Act*, R.S.N. 1990, c. S-1;



**(8) The portion of paragraph 3(b) of the Regulations before subparagraph (i) is replaced by the following:**

(b) a tax imposed by the legislature of a province, under an Act referred to in the definition "general sales tax rate" in subsection 2(1), in respect of an item of property or a service where

**(9) The portion of paragraph 3(c) of the Regulations before subparagraph (i) is replaced by the following:**

(c) a tax in respect of a service or an item of personal property imposed by or under any of the following:

**(10) Subparagraphs 3(c)(i) to (iv) of the Regulations are repealed.**

**(11) Paragraph 3(c) of the Regulations is amended by adding the following after subparagraph (v):**

(v.1) Part IV of the *Sales Tax Act*, S.N.S. 1996, c. 31,

**(12) Subparagraph 3(c)(vii) of the Regulations is replaced by the following:**

(vii) Part I of *The Revenue Act*, C.C.S.M. c. R150,

**(13) Paragraph 3(c) of the Regulations is amended by adding the following after subparagraph (viii):**

(viii.1) *The City of Winnipeg Act*, S.M. 1989-90, c. 10,

**(14) Subparagraphs 3(c)(x) and (xi) of the Regulations are replaced by the following:**

(ix.1) *The Power Corporation Act*, R.S.S. 1978, c. P-19,

(x) *The Liquor Consumption Tax Act*, S.S. 1979, c. L-19.1,

(x.1) *The Urban Municipality Act, 1984*, S.S. 1983-84, c. U-11,

(xi) *The Rural Municipality Act, 1989*, S.S. 1989, c. R-26.1,

**(15) Subparagraphs 3(c)(xiii) and (xiv) of the Regulations are replaced by the following:**

(xiii) *The St. John's Assessment Act*, R.S.N. 1990, c. S-1, and

(xiv) the *Liquor Tax Act*, R.S.Y.T. 1986, c. 106,

**(16) Subparagraph 3(c)(xvii) of the Regulations is replaced by the following:**

(xvii) no tax in respect of the property or service is imposed by the legislature of the province under an Act referred to in the definition "general sales tax rate" in section 2, and

**(17) Clause (A) of subparagraph 3(c)(xviii) of the French version of the Regulations is replaced by the following:**

(A) la taxe est imposée en application d'une loi de l'assemblée législative de la province relativement au bien ou au service,

#### APPLICATION

**4. (1) Section 1 and subsections 2(5) and (8) and 3(9) and (11) are deemed to have come into force on April 1, 1997.**

**(2) Subsections 2(1), (3) and (9) and 3(8), (11) and (16) are deemed to have come into force on July 1, 1992.**

**(3) Subsection 2(4) is deemed to have come into force on April 1, 1996.**

**(4) Subsections 2(10) and 3(1) are deemed to have come into force on ANNOUNCEMENT DATE.**

**(5) Subsection 3(2) applies in respect of real property transferred after October 8, 1993.**

**(6) Subsection 3(3) is deemed to have come into force on June 20, 1991.**

**(7) The repeal of subparagraph 3(a)(iv) of the Regulations, as enacted by subsection 3(4), is deemed to have come into force on August 1, 1995.**

**(8) The repeal of subparagraphs 3(a)(v) to (viii) of the Regulations, as enacted by subsection 3(4), and subsection 3(5) are deemed to have come into force on August 12, 1992 except that, before April 1, 1996, subparagraph 3(a)(ix.1) of the Regulations, as enacted by subsection 3(5), shall be read as follows:**

(ix.1) Part IX of *An Act respecting the Municipality of the County of Halifax*, S.N.S. 1992, c. 63,

(9) Subparagraph 3(a)(xii) of the Regulations, as enacted by subsection 3(6), is deemed to have come into force on August 1, 1992.

(10) Subsection 3(7), the repeal of subparagraph 3(c)(iii) of the Regulations, as enacted by subsection 3(10), and subsection 3(13) are deemed to have come into force on December 31, 1990.

(11) The repeal of subparagraph 3(c)(i) of the Regulations, as enacted by subsection 3(10), applies in respect of any admission to a place of amusement the consideration for which is paid after June 30, 1992.

(12) The repeal of subparagraph 3(c)(ii) of the Regulations, as enacted by subsection 3(10), applies in respect of any advertisement broadcast after June 30, 1992.

(13) The repeal of subparagraph 3(c)(iv) of the Regulations, as enacted by subsection 3(10), applies in respect of any telecommunication sent or received after June 30, 1992 and in respect of rents attributable to a period after that day.

(14) Subparagraph 3(c)(ix.1) of the Regulations, as enacted by subsection 3(14), is deemed to have come into force on the day that is 14 days after ANNOUNCEMENT DATE.

(15) Subparagraph 3(c)(x.1) of the Regulations, as enacted by subsection 3(14), is deemed to have come into force on April 1, 1991.

DRAFT REGULATIONS AMENDING THE VALUE OF  
IMPORTED GOODS (GST) REGULATIONS

AMENDMENTS

**1. Section 1 of the *Value of Imported Goods (GST) Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Value of Imported Goods (GST/HST) Regulations*.

**2. (1) The definition "month" in section 2 of the Regulations is repealed.**

**(2) Section 2 of the Regulations is amended by adding the following in alphabetical order:**

"process", in respect of goods, includes the adjustment, alteration, assembly, maintenance, manufacture or production, modification, overhaul, packaging or repackaging, repair or testing of the goods; (*traitement*)

**(3) Section 2 of the Regulations is renumbered as subsection 2(1) and is amended by adding the following:**

(2) For the purposes of these Regulations, the number of months in a period is the number of months that are, in whole or in part, included in the period, determined on the basis that the first day of the first such month is the first day of the period.

**3. The portion of section 3 of the Regulations before the formula is replaced by the following:**

3. For the purposes of subsection 215(2) of the Act, the value of goods described in item 19, 22, 25, 28, 29, 34, 37, 50, 51, 55 or 56, or, where the goods are imported by a non-resident person, item 4, 10, 13, 45 or 48, of the schedule to the *Temporary Importation Regulations*, and imported in circumstances in which the terms and conditions of those Regulations are met or, where those Regulations do not apply, those terms and conditions (other than any respecting security) would be met if those Regulations applied, shall be determined by the formula

**4. The Regulations are amended by adding the following after section 12:**

13. For the purposes of subsection 215(2) of the Act, where



(a) goods (referred to in this section as the "exported goods") have been exported for the purpose of processing the goods,

(b) goods (referred to in this section as the "processed goods") are imported for the first time following that processing and are accompanied by evidence satisfactory to the Minister that they are the exported goods in their processed state or that they incorporate the exported goods,

(c) the exported goods were not last imported in circumstances

(i) in which tax was payable, calculated on a value determined under these Regulations (other than this section and sections 8 and 12),

(ii) in which the goods were prescribed goods under any provision of the *Non-Taxable Imported Goods (GST) Regulations* other than paragraphs 3(j) and (k),

(iii) in which a person was entitled under section 215.1 of the Act to claim a rebate in respect of the goods, or

(iv) if the goods were last imported before 1991, in which either

(A) tax under Part VI of the Act was not payable on the goods, or

(B) relief from the payment of, or a refund or remission of, such tax was provided,

on the condition that the goods be exported within a certain period, and

(d) the processed goods are not being imported for the first time after the exported goods or the processed goods were

(i) supplied outside Canada,

(ii) supplied to a recipient entitled under section 252 of the Act to claim a rebate in respect of the supply, or

(iii) supplied in circumstances in which the supply was included in Part V of Schedule VI to the Act,

the value of the processed goods shall be determined by the formula

$$A + B$$

where

- A is the value of the processing, including the value of any goods that were added to the exported goods, and
- B is the remaining duties payable in respect of the processed goods.

14. For the purposes of subsection 215(2) of the Act, where

(a) a bus or aircraft (referred to in this section as "the conveyance") is, on a particular day, imported temporarily by a lessee of the conveyance under a lease with a non-resident lessor with whom the lessee is dealing at arm's length,

(b) the conveyance is exported on or before the earlier of

(i) the day that is 24 months after the particular day, and

(ii) the day on which the lease is terminated,

(c) if the conveyance is imported more than once, the total number of months, each of which is a month included in determining the number of months in a period throughout which the conveyance is held in Canada by the lessee under a lease with the lessor, does not exceed 24, and

(d) upon a request made in writing to the Minister before the particular day, the lessee has obtained written authorization from the Minister to determine the value of the conveyance under this section subject to such terms and conditions as may be specified in the authorization,

the value of the conveyance shall be determined by the formula

$$(1/60 \times A \times B) + C$$

where

A is the value for duty of the conveyance,

B is the number of months in the period beginning on the particular day and ending on the day the conveyance is first exported after the particular day, and

C is the remaining duties payable in respect of the conveyance.

#### APPLICATION

**5. (1) Section 1 is deemed to have come into force on April 1, 1997.**

**(2) Subsections 2(1) and (3) are deemed to have come into force on December 31, 1990.**

**(3) Subsection 2(2) is deemed to have come into force on April 1, 1991.**

**(4) Section 3 applies to goods imported after ANNOUNCEMENT DATE.**

**(5) Section 13 of the Regulations, as enacted by section 4, applies to goods that are released after March 1991.**

**(6) Section 14 of the Regulations, as enacted by section 4, applies to importations of conveyances in respect of which tax under Division III of Part IX of the *Excise Tax Act* becomes remittable after November 4, 1991.**









